Daily Report

Latin America

FBIS-LAT-96-119
Wednesday
19 June 1996

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FBIS-LAT-96-119 *19 Jun 1996*

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Cuba

Cuba: Information on Nationalized Properties Offered

PA1906035296 Havana PRENSA LATINA in Spanish 2340 GMT 18 Jun 96

[Report by Dihur G. Tchamlesso: "Cuba Reaffirms Willingness to Protect Foreign Investments"]

[FBIS Translated Text] Havana, 18 Jun (PL) — Cuba is willing to give foreign investors all the information they need regarding nationalized properties, a subject that the United States has manipulated to discourage the flow of capital to the island.

Octavio Castilla, Cuban vice minister of foreign investment and economic cooperation (Minvec) reaffirmed this today during a seminar on the process of reforms in Cuba and their juridical context. Businessmen and academicians from Germany and Cuba are attending the meeting.

Castilla offered the European visitors details on the contribution of foreign financial resources to the Cuban ecopomy, and reaffirmed that Cuban authorities offer all the guarantees protection to investors, in accordance with the decrees already promulgated.

With regard to the Helms-Burton law, Castilla said that with that measure the United States "gives the impression that the entire country was a former U.S. property," with the intention of discouraging business with Cuba.

Castilla clarified that out of 236 joint companies operating here, only four can be regarded as properties under U.S. litigation, which represents less than 2 percent of the contract partners.

Meanwhile, Rodolfo Davalos, president of the Cuban Association of Commercial Law explained to the German guests aspects related to commercial practices and economic cooperation in the Caribbean island, as well as the legal mechanisms on which they are based.

Frank Siefter, president of the German-Cuban Association of Jurists, noted that German businessmen want to invest in the island, but at the same time said that they are concerned about property, land ownership, use of labor force, and guarantees for foreign capital in Cuba.

Cuban officials clarified the doubts expressed by the visitors with technical details and references to the current laws to promote and protect foreign investments.

Some 25 businessmen and lawyers affiliated with multinational German companies related to machine factories, shipping companies, chemistry, agriculture and light industry, are currently meeting with Cuban experts in those fields to identify areas for future interaction.

Dietmar Dirmoser, director for the Caribbean division of the Friedrich Ebert Foundation, which has maintained links with Cuba for the past 15 years, promoter of the German-Cuban forum, described the meeting to discuss business possibilities between the two nations as a historical milestone in their bilateral relations.

This meeting carries great significance, and since we believe it is of utmost importance, it represents a shift in the relations between our two nations, he said.

Dirmoser minimized the impact that the anti-Cuban Helms-Burton law will have on the prospects for expanding economic, commercial, and scientific-technical ties between Bonn and Havana.

This law is inconceivable and therefore we reject it, Dirmoser said, stressing that the German Government, and particularly its Chancellor Helmut Khol have publicly condemned it, as well as the EU.

Similar expressions were heard from Horst Gobrecht, who as adviser in the Cuban Finance and Prices Ministry gives lectures to high- and medium-level officials on the laws and tax administration that Havana began implementing this year in certain productive and service sectors.

Thus far, Cuban officials have shown great receptiveness and have greatly assimilated the techniques on taxes and fiscal regulations, Gobrecht said.

The government is trying to introduce a tax system similar to the one that exists in other countries with modern ideas for implementing methods at the national level, in accordance with international regulations, he stressed.

Within the context of changes taking place in the Cuban economy, the National Office of Tax Administration was one of the measures adopted to improve finances and strengthen the national currency, the peso, with the intention giving it a convertible status with respect to foreign currency.

Asked about the effects of the Helms-Burton law, Gobrecht recalled that his government rejected it, along with the EU, which criticized the extraterritorial nature of the measure.

Although Germany is a U.S. ally in other fields, it adheres to its principles and defends its sovereignty. It will not accept regulations imposed abroad and no one can determine what treatment it should give to third countries.

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The German-Cuban business seminar will end tomorrow at the Melia Cohiba Hotel in this capital, after a fruitful exchange, which could very well result in the exploration of new areas of economic cooperation and increasing trade.

Cuba: Foreign Investment Minister on Helms-Burton Law

BR1706143296 Madrid EL PAIS in Spanish 15 Jun 96 p 10

[Interview with Cuban Foreign Investment and Cooperation Minister Ibrahim Ferradaz by Ignacio Cembrero in Madrid; date not given: "Ferradaz: 'The Helms-Burton Law Is Winning Us Support Against the United States'" — first paragraph is EL PAIS introduction]

[FBIS Translated Text] Ibrahim Ferradaz is on a European mini-tour to encourage companies not to pull out of Cuba despite the sanctions that could be applied by the United States for "trafficking" in former American property expropriated by the Castro regime. In Madrid the Cuban foreign investment and cooperation minister also took the opportunity to make initial contact with the new Spanish Government that recently announced the suspension of all official aid to the island.

[Cembrero] How have foreign investors in Cuba reacted to the adoption of the Helms-Burton law?

[Ferradaz] The 230 investors from 50 countries present in Cuba knew beforehand what could happen. I do not doubt that some partners will be frightened off and will delay their plans. Some have announced this even though we have not yet received official notification. We do not reproach the victims of an unjust law but rather those that have promulgated this law. The vast majority of companies have opted to stay and are seeking, with us and their countries of origin legal formulas to defend themselves and thus reduce the risk.

[Cembrero] The exact amount of investment is a secret so as not to put the companies that are established in Cuba in a tight spot. But which are the countries with the biggest presence on your island?

[Ferradaz] Mexico is the leading foreign investor. Spain is our leading European partner, in terms both of investment and trade, followed by Italy. It is said that Mexico is a channel for money from the United States. If so then they are doing a good job of hiding this fact since we had no idea.

[Cembrero] You must have inventoried the number of mixed companies that are using expropriated American property?

[Ferradaz] Yes. There are around half a dozen of them, about 2.5 percent of the total. That figure does not include the property that belonged to Cubans who subsequently took U.S. nationality after 1959. Their claims are more numerous but a lot more tenuous from the point of view of international legality.

[Cembrero] Does this law spell the end for the timid economic recovery?

[Ferradaz] After having shrunk by 35 percent since 1989, the Cuban economy is now showing an improvement and this year we are expecting to see a 5-percent growth. Foreign investment only represents 55,000 jobs in an active population of 4 million. The well-being of the Cuban economy does not depend on the mixed companies, even though they can contribute to its recovery. It is still too early to say what effect the Helms-Burton law will have on our planned growth.

[Cembrero] Why, according to Cuba, has dialogue with the EU on a cooperation agreement been suspended? Brussels says that Havana is not prepared to change or open up at all.

[Ferradaz] Dialogue has not been suspended but nor is it unfolding according to the timetable planned by the EU. Cuba is interested in bringing it to a fruitful conclusion but they were making demands on us that were not acceptable at that time. For example, they suggested that we revise our penal code which we have been doing gradually for some time, but we cannot just speed up the process because someone from outside asks us to.

[Cembrero] In Madrid and Brussels they say that Cuba is slipping back.

[Ferradaz] Absolutely not. We are continuing to make progress improving our economy. We created free zones and in July we will implement the reform of the banking system. We are suffering from a political-economic war declared on us by the United States and this has escalated. In the face of aggression it is essential for us to maintain our unity and not let cracks appear among the people. To win the day there is no need for coercion. Unity is based on broad consensus of the people.

[Cembrero] Does a Communist island not feel isolated in a liberal ocean?

[Ferradaz] No. Outside of the United States not one authority has spoken out in defense of the Helms-Burton law. From the EU to the Organization of American States, everyone has rejected it. This law has led to a wave of solidarity with Cuba. We now feel we have more people on our side. The international community is with us in opposition to the United States.

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[Cembrero] After the initial talk of cutting aid, how do you think the Spanish Government will act?

[Ferradaz] The cut in the cooperation budget, if it is implemented, is a sovereign decision of the new Spanish Government. Having said that, the aid we receive is not all that much. During my stay here I have seen for myself that the Spanish authorities put friendship and historical ties before differences. We will seek ways of coming to an agreement.

Cuba: PRENSA LATINA on 37th Anniversary, Changes

PA1806203996 Havana Radio Havana Cuba in Spanish 0000 GMT 16 Jun 96

[From the "Evening Information Review" newscast]

[FBIS Translated Text] Today, 16 June, the news agency PRENSA LATINA commemorates its 37th anniversary. This is an interview with agency director Pedro Margolles by Estrella Diaz. He discusses this important agency's work and assesses its outlook.

[Begin recording] [Margolles] This year is very important for our enterprise because of our technological updating. We will replace the agency's automatic system with new equipment, which will make it possible for us to use new technology and provide information more easily. Our professionals, journalists, and [words indistinct], will be able to work more easily and rapidly. We will also be able to renew certain aspects of our editorial work and provide more information about Cuba, information that will be of a more interpretative nature and will regard the realities of Latin America and South America. This is a Third World agency and, therefore, it should provide information in a way that expresses the Third World's interests and viewpoints [words indistinct]. The agency is very important because, together with technological updating and the use of new strategies, such as broadcasting for Latin America via satellite and revising our editorial work, we feel we will be able to satisfy our users and customers from the Cuban and Latin American media.

[Diaz] From the Cuban revolution's viewpoint, I would like to know if there is going to be a specific policy regarding the subjects to be covered by the agency.

[Margolles] First of all, we are planning to expand the local editorial staff. We intend to give this section a larger number of editors, in particular more experienced professionals and journalists. In particular, we want PRENSA LATINA to be the first to report about Cuba and to keep doing it objectively, seriously, and accurately. We also want it to become [words indistinct] of Cuba. This is very important because sometimes we report before other agencies, which intelligently repeat what PRENSA LATINA reports. The agency will report mostly on economics, [words indistinct], and culture. We have a daily information bulletin and several facsimile bulletins. We also have inaugurated electronic mail. Consequently, all who can access information through computers can connect with us directly. This will make it possible to increase the number of our customers and the transmission speed. We will give priority importance to the information aimed at the country's interior. For instance, Santiago de Cuba is noted for its economic potential and cultural centers. A Caribbean festival will be held there in a few days. We will broadcast a large amount of important cultural information through the Cultural Information Center in Santiago de Cuba, where we have a correspondent.

[Diaz] I have a question, Margolles. How many countries are served by PRENSA LATINA?

[Margolles] We serve 17 countries, most of them in Latin America. We serve Nicaragua, Costa Rica, Panama, Venezuela, Colombia, Ecuador, Bolivia, Mexico, Uruguay, Argentina, and Chile. We have a correspondent at the United Nations, another in Madrid, one in Moscow, one in Vietnam, and one in the PRC. We are present in 17 countries. Sorry, I forgot to mention Colombia. Mexico is a very important site, where we have an important transmission center for this country and Central America. We have a large number of newspapers and other printed media that are buying PRENSA LATINA's services. [end recording]

Cuba: Alarcon, Delegation to ICAO Arrive in Canada

PA1806121396 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 17 Jun 96

[From the "NTV" newscast]

[FBIS Translated Text] The Cuban delegation that will participate in the debates of the International Civil Aviation Organization, ICAO, arrived in Canada today.

Our special correspondent Carlos Iglesias has a report from Canada.

[Iglesias] A report drafted by a team of ICAO experts on the downing of two planes that violated Cuban airspace on 24 February will be examined here. Both planes belonged to the terrorist group based in Florida, called Brothers to the Rescue, which had been committing several similar violations since July 1992. The Cuban delegation comprises the presidents of the Cuban parliament, Ricardo Alarcon, and of the Civil Aeronautics Institute, Division General Rogelio Acevedo, as well as other officials and specialists.

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[Begin Alarcon recording] We hope the ICAO Council will adopt fair decisions, the only ones it can adopt if it sticks to the facts and if it sticks to the circumstances surrounding the 24 February incidents. It can be none other than to express its rejection, its criticism, or its condemnation — if they dare go that far — of the U.S. policy. [end recording]

The analysis at the ICAO Council should be over by late June, when its 148th session is expected to end. The results of this analysis should immediately be forwarded to the UN Security Council.

Cuba: Castro Visits Canary Islands During Stopover

PA1906024596 Havana Tele Rebelde and Cubavision Networks at 0000 GMT 18 Jun 96

[Report on President Fidel Castro's visit to the Teide National Park and Vila Flor Municipality in Tererife, Canary Islands, Spain on 18 June; from the "NTV" newscast]

[FBIS Summary] Castro made a stopover in the Canary Islands on his way back to Havana following his trip to Istanbul, Turkey. Following his arrival at the Reina Sofia Airport in southern Tenerife, journalists immediately surrounded Fidel Castro. Afterward, a makeshift news conference was held at the entrance of the Bahia del Buque Hotel.

Speaking softly and slowly, but with good humor throughout the news conference, Castro begins by asking journalists if they are all from Tenerife or from the Spanish peninsula. Journalists answer from the Canary Islands and Fidel Castro explains that his mother's family came from the Canary Islands. He adds: "My father's family is from Galicia. They are hard working people. The Spanish people in general are very hardworking people, but the people from the Canary Islands are especially hardworking." Castro congratulates the people of the Canary Islands and says he expects them to continue to be hardworking. He adds that he made the stopover in the Canary Islands on his way back to Cuba much like Christopher Columbus did during his first voyage to the new world.

Asked to give a message to Cubans living in the Canary Islands who may be listening to him over the radio or on television, Castro responds: "As Cubans it is logical for me to greet them. They may be Cubans of different ideologies, I imagine, but I greet them all as Cubans. I believe that to live in these islands is a privilege. I hope they feel fine and I wish them all great success. May they be as hardworking as the Canarians."

Asked about the implementation of the Helms-Burton law and if he has a request for the Spanish Government in this regard, Castro says: "I really believe that we will overcome that law as we have overcome many other difficulties. As for the government of Jose Maria Aznar, I have no requests to make."

After talking with an unidentified reporter about unemployment and the construction of a golf course in the Canary Islands, Castro and the reporter hold a lengthy conversation about the type of construction material they use in the Canary Islands. Castro also talks to the reporter about the type of government, the weather, and the number of islands they have in the Canary Islands.

The reporter tells Castro that since the Canary Islands are not a state, the waters between the islands are international waters and many Japanese and Koreans come to fish near the islands. Castro reacts: "These people are like the English in the last century. They come from very far." The reporter tells Castro that the island closest to the continent is 50 miles away from the coasts of Africa. Castro interrupts: "In these cases you draw a line down the middle as we did in Cuba, where we drew a line separating Jamaican and Cuban waters."

Later, at the Teide National Park, Castro received an extensive explanation about the volcanic rock and erosion on the island.

Finally, asked by an unidentified female reporter how he would like people to remember him, Castro answers: "I would rather have people not remember me very much. I would rather have them forget me." The reporter insists, however, and Castro answers: "As one who fought for a just cause." Castro adds that he is most proud of being a Cuban, a revolutionary, an internationalist, and of having a mother whose ancestors were Canarians. Asked what he would eliminate from the world today, Castro answered: "The unipolar world in which we live, a world dominated by a great superpower, and imperialism."

Cuba: Robaina Receives Computers From Swiss Group

PA1806123596 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 13 Jun 96

[From the "NTV" newscast]

[FBIS Translated Text] In Berne, Switzerland, Cuban Foreign Minister Roberto Robaina received 30 computers, medicine, and hospital supplies donated by the Swiss solidarity with Cuba movement.

Since January of this year, when the U.S. Treasury Department ordered the confiscation of approximately 400 computers — earmarked for the Public Health

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Ministry's data network — thousands of people around the world have mobilized themselves to replace that equipment.

While thanking the movement for this gesture, Robaina highlighted the altruism of Lucius Walker and his comrades.

The Cuban foreign minister had a brief technical stopover in Berne, while on his way to Africa's southern region, where he will carry out a second visit to this area.

Cuba: Robaina Meets With Mozambique's Foreign Minister

PA1806204296 Havana Radio Havana Cuba in Spanish 1300 GMT 18 Jun 96

[From the "Morning Information Review" newscast]

[FBIS Translated Text] Cuban Foreign Relations Minister Roberto Robaina met yesterday with his counterpart Mozambique's Foreign Affairs Minister Leonardo Simao in the capital of Mozambique. Simao affirmed that the Caribbean nation's constant struggle for its independence and sovereignty are an inspiration to Mozambique.

During officials talks, the two minister discussed issues of bilateral interest, international politics, and a number of issues regarding their national realities.

Cuban Minister Robaina thanked Mozambique for its support in international forums of Cuba's struggle against the U.S. blockade, and, specifically, for Mozambique's rejection of the Helms-Burton law.

Robaina also met with officials of the Mozambican Health, Education, Industry, Commerce, and Tourism Ministries. Robaina also met with the leaders of Frelimo [Mozambique Liberation Front] to whom the Politburo of the Communist Party of Cuba sent special greetings.

Cuba: Large PRC Military Delegation Arrives in Havana

PA1806121296 Havana Radio Rebelde Network in Spanish 1700 GMT 17 Jun 96

[From the "National Radio News" newscast]

[FBIS Translated Text] A large PRC military delegation has arrived in Cuba at the invitation of the Revolutionary Armed Forces Ministry [Minfar]. It is headed by Colonel General (Chol Tuyu), People's Army Political Department deputy chief. Julio Gomez has more details:

[Gomez] The delegation will follow a hectic working agenda until 22 June and will meet with FAR [Revolutionary Armed Forces] chiefs and officers. In addition, it will visit military installations and economic, historic, and scientific hubs.

Division General Nestor Lopez Cuba, Minfar Political Directorate chief; Brigade General Harry Villegas, Western Army Political Section chief; and PRC Ambassador to Cuba (Liu Peikel) welcomed the visiting delegation at the Jose Marti International Airport.

Cuba: Water Leaks Repaired in Santiago de Cuba District

PA1806120696 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 13 Jun 96

[From the "NTV" newscast]

[FBIS Translated Text] Complex repair work is being carried out by Santiago de Cuba's Provincial Aqueduct and Sewage Authority. The objective is to stabilize the population's water supply.

[Begin Maria del Carmen Diaz recording] The repair work being carried out involves 11 km in the main pipeline, between Quintero and the urban district of Abel Santamaria. It was scheduled to last two days, but required more time, due to the fact that instead of the anticipated 18 leaks, they had to repair 22. The last and most complicated leak, underneath the highway, is already being repaired. [end recording]

The work is being called a mayor repair because several parts of the pipeline had to be replaced due to the magnitude of some of the leaks. Approximately, 20 places [centros] and the 40,000 inhabitants of Abel Santamaria district were affected during the repairs to this portion of the main pipeline.

Once the work is finished — in the next few hours — the consumers' supply will be stabilized, and it will make possible the saving of a considerable amount of drinking water, which was being lost.

The repairs, under the direction of the aqueduct and sewer authority, have been possible thanks to the cooperation — with workers and resources — of the Ministry of the Sugar Industry, basic industry enterprises, and other organizations.

Cuba: Roundup of Economic Developments Through 18 Jun

PA1806213696

[FBIS Report] The following is a compilation of reports on economic developments in Cuba monitored through 18 June.

In Pinar del Rio Province, 37 cooperatives and 57 independent producers have joined to create a cattlemen's

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movement. The cattle industry is showing signs of recovery in this province. The group has 12,000 heads of cattle and is committed to producing 800,000 liters of milk this year. (Havana Radio Rebelde Network in Spanish 1700 GMT 11 Jun 96)

According to a Sancti Spiritus, 12 June-datelined item, apicultural experts today told PRENSA LATINA that this year, honey and honey derivatives will bring $12 million to the Cuban economy. The reactivation of this sector started in 1994. This year's production is expected to be 7,000 metric tons. The honey industry development program envisages reactivating 55,000 beehives. (Havana PRENSA LATINA in Spanish 0526 GMT 12 June 96)

The Construction Ministry has reported that work by Cuban construction workers during the first five months of this year has increased by 41 percent compared to the work carried out during the same period in 1995. (Havana Radio Havana Cuba in Spanish 1300 GMT 12 Jun 96)

Victor Hernandez Gomez, the Agriculture Ministry's delegate in Sancti Spiritus Province, reports that tobacco production in the province for the 1994-1995 harvest was 100,000 quintals. For the 1995 harvest the estimated production is 130,000 quintals, 30 percent more than during the previous harvest, and with very good-quality tobacco. He reports that there has been financing from Spanish enterprises. Tobacco has all the fertilizers and insecticides it needs. Hernandez reports that 97 percent of the tobacco planted in Sancti Spiritus is in private hands. He reports that dairy production for the year in the province will be 27 million liters of milk. (Havana Radio Havana Cuba in Spanish 0000 GMT 12 Jun 96)

The Isle of Youth Municipality has substantially increased its agricultural and construction and industrial materiel production. Food production increased by 34 percent during the first five months of the year, compared with production during the same period last year. Fishermen and public entities have brought in $16.276 million during the first five months. (Havana Radio Rebelde Network in Spanish 1700 GMT 12 Jun 96)

In Ciego de Avila, El Penon will be Cayo Coco's third hotel, a five-star establishment with 270 rooms. Its construction is expected to take 18 months. In addition, the construction of Cayo Coco's fourth hotel has begun. This four-star hotel's name will be Arena Real and it will have 250 rooms. The hotel construction program will increase the number of rooms available by the end of 1996 by 4,000. (Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 13 Jun 96)

The Central Oil Drilling and Extraction Enterprise in Matanzas has extracted 500,000 metric tons of crude oil so far. This figure, which exceeded expectations by more than 28,000 metric tons, is a good indication that the country will be able to extract 1,500,000 metric tons of oil this year. (Havana Radio Rebelde Network in Spanish 1700 GMT 14 Jun 96)

According to a Havana-datelined item, tourism in Cuba increased by 46 percent during the first semester this year, Minister Osmani Cienfuegos has reported. The industry expects to have receive 1,000,000 visitors by the end of the year. He also said that 20,000 new hotel rooms are expected to be completed by the year 2000 and that this number is to be added to the 25,000 rooms already in use. (Havana PRENSA LATINA in Spanish 2321 GMT 13 Jun 96)

A Havana-datelined item reports that the Cuban charter airline Aerogaviota transported 89,329 passengers during the first five months this year and that 57,636 of these passengers flew over domestic routes, according to airline manager Boris Klaindorf. He added that the airline relies heavily on Russian-made Mi-8 helicopters for tourist and research flying, as well as for transporting goods. (Havana PRENSA LATINA in Spanish 1536 GMT 16 Jun 96)

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Mexico: Government Requests NAFTA Commission Meeting

PA1906035696 Mexico City NOTIMEX in Spanish 0135 GMT 19 Jun 96

[FBIS Translated Text] Mexico City, 18 Jun (NOTIMEX) — The Commerce Secretariat today reported that Mexico today formally requested a meeting by the NAFTA Commission to analyze the sanctions that the U.S. Helms-Burton law stipulates.

The Secretariat issued a communique stating that the request for the NAFTA Commission meeting was made in accordance with NAFTA's Article 2007 and that Canada is expected to make a similar request.

The Secretariat indicated that once the request is made, the Commission must meet within the next 10 days following the filing of the request. "In case there is no agreement, Mexico and Canada could request the establishment of a panel 30 days after the meeting is over."

The Commerce Secretariat's communique also stated that the Helms-Burton law, which is characterized by its extraterritorial scope as a measure to toughen the commercial embargo on Cuba, could violate NAFTA's Chapters 11 and 14.

Mexico: New Mechanism To Reduce Debt to U.S.

PA1906044696 Mexico City XEW Television Network in Spanish 0300 GMT 19 Jun 96

[From the "24 Hours" newscast]

[FBIS Translated Text] Using a new mechanism that will save Mexico $50 million a year, our country will reduce its foreign debt with the United States. Mexico will prepay the United States $4.7 billion from the financial aid package it granted to us when the peso was devalued.

The Mexican Finance and Public Credit Secretariat announced tonight, that with this payment, the $10.5 billion-debt with the United States will be reduced to only $5.800 billion. It stated that this prepayment shows that Mexico continues to honor its debts in the international markets and added that the Bank of Mexico's international reserves will not be used in any way in this transaction.

The Mexican Finance and Public Credit Secretariat reported the operations used to obtain the resources for this prepayment:

1. The issuance of bank notes amounting to approximately $3 billion that have already officially started to be negotiated with a group of financial institutions at a lower cost and with a longer term than the debt with the U.S. Treasury.

2. The $780 million that Mexico put up as collateral were released from the Brady Bonds, because the Federal Government canceled $2.3 billion on 1 May.

3. The resources coming from the issuance of $920 million in 10-year bonds held in the Japanese market on 15 May.

According to the Finance Secretariat, the benefits of the prepayment are:

1. Decrease in the average cost of the debt. The Federal Government will obtain $50 million in annual savings. This will allow it to mitigate the financial cost of the debt and open budget space to increase social spending, and

2. This payment will release an important percentage of the total oil export flows that back the financing of the debts incurred with the U.S. Treasury Department last year. The released resources will be assigned to support the banking operation structure.

Mexico: Government Plans 'Antidote' To Helms-Burton Law

PA1806215396 Mexico City NOTIMEX in Spanish 0128 GMT 18 Jun 96

[FBIS Translated Text] Mexico City, 17 Jun (NOTIMEX) — Mexican Deputy Foreign Secretary Sergio Gonzalez Gavez said today that his country plans to draft a permanent law to deal with extraterritorial measures such as the Helms-Burton Law. In drafting this permanent law, the Foreign Secretariat will serve as adviser to the legislative, which will prepare the legislation.

He regards as illegal the Helms-Burton law, which, in an attempt to discourage foreign investment in Cuba, intends to penalize enterprises and businessmen who make transactions involving properties confiscated from American enterprises in Cuba.

Interviewed during the opening of the Second Diplomatic Training Course for Central American Foreign Ministry Officials, Gonzalez Gavez said that Mexico is weighing international law options to counter the Helms-Burton law.

He recalled that a draft procedure resolution was introduced at the OAS General Assembly for the Inter-American Juridical Council to decide on the U.S. legislation. Meanwhile, consultations are being held with the Rio Group member countries to consider other options to counter the Helms-Burton law.

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Mexico is already drafting an "antidote law" to minimize the effects of the Helms-Burton law and particularly to forbid handing over evidence during trials for violations of this law.

In addition, he said, there would be other options, of a multilateral nature, like the one currently under discussion at the OAS.

Finally, he said that an "antidote law" would have to be drafted whether or not the Helms-Burton law regulation is enacted. The "antidote law" would have to be permanent, because this is not the first time that Mexico must deal with extraterritoriality problems.

Mexico: Zedillo Interviewed by Canadian Journalists

PA1806171796 Mexico City LA JORNADA in Spanish 13 Jun 96 pp 1, 8

[Report on news conference by President Ernesto Zedillo with Canadian news editors by correspondent Ricardo Aleman in Toronto on 12 June]

[FBIS Translated Text] On Wednesday, in the third day of his official visit to Canada, Mexican President Ernesto Zedillo talked at length with the editors of the most prominent Canadian newspapers to whom he stated:

"I will not make decisions with the 1997 elections in mind. The parties will have to battle for the votes...

"I do not know if I am a politician by traditional standards. But I do know that I am not a liar...

"A president cannot govern a country everyday based solely on public opinion or press reports. That would be a disaster...

"I have been the president of Mexico since 1 December 1994. From the very beginning, I assumed full responsibility for governing my country. It would be unethical for me to say I have made difficult decisions because someone else failed to...

"Making decisions in time of crisis affects my so-called popularity, obviously on a short-term basis. In the end, however, this is what people will take into consideration. They will ask: Who made the decisions? Who had to pay the price of these difficult decisions? Who lied? On a yearly basis, the economic crisis of December 1994 cost Mexico $70 billion. This is to say, between 20 and 25 percent of the GDP...

"We do not want to militarize the Mexican police. We want to purge the police, end corruption and the lack of training, introduce discipline, order, and loyalty in the institutions. This is why I appointed a military officer...

"In a few days, we will kick off a program to prevent drug consumption among young people because they are the primary drug traffickers' targets...

"The effects of the Helms-Burton law are not really costly for Mexico economically speaking. It is rather a matter of principles...

"I do not know if (Carlos Salinas) has sought refuge in exile. I do know he is out of the country..."

Minutes prior to the meeting, about 20 Canadian and Latin American youngsters dressed in neckerchiefs and ski masks tried to approach Zedillo. A discreet police cordon kept them away from him. Seeing this, the EZLN [Zapatist Army of National Liberation] followers displayed banners in English and shouted slogans.

The incident happened in front of the King Edward Hotel. Flanked by Finance Secretary Guillermo Ortiz and Foreign Relations Secretary Jose Angel Gurria, Zedillo smiled and said: "I don't understand English."

Already in the small room, Zedillo sat down at the designated place for the news conference. The rest of the chairs were occupied by Robert Louis, editor of McLeans magazine, David Krane of TORONTO STAR, and William Thorsell of the GLOBE AND MAIL, among others.

Louis, one of the country's most prominent editors, asked Zedillo about Mexico City's street crime and insecurity. Zedillo admitted that this problem has aggravated in the past few years and that some people have established a direct relationship between street crime and the economic crisis. He added: "This could be a partial truth, but I do not think it is the crucial point. I do not think it is the poor people who go out to rob others on the streets. According to reports we have, these crimes are perpetrated by organized criminals and the situation has very little to do with political or economic matters."

He also denied his government seeks to militarize the Federal District's Police, and he added what he wants to do is to "clean" the police core and to end corruption and the lack of training and discipline. "I named a military man in charge to achieve discipline, order, efficiency, and loyalty to the institutions" Zedillo pointed out. When asked if the crisis of December 1994 could repeat itself, the president responded that no one can predict a financial crisis. The Mexican crisis "was in good measure a great accident whose yearly cost was $70 billion, that is, between 20 and 25 percent of the GDP."

[LA JORNADA] Did not Mr. Salinas avoid making decisions due to the electoral process, leaving you with a very heavy burden?

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Zedillo raised the tone of his voice. "Look, I must be very clear. From 1 December 1994 I have been the president of Mexico and I decided from the very first moment to take full responsibility of governing my country; it would not be very ethical to say that I have made difficult decisions because someone else did not. I must take full responsibility."

[LA JORNADA] Is former President Salinas living in exile?

[Zedillo] I do not know, I do not know whether he lives in exile. I do know he lives outside of Mexico.

[LA JORNADA] How can your party win the Congress in 1997?

[Zedillo] My immediate objective is to govern Mexico with full responsibility, especially when one has to live with a crisis as severe as the one we have lived. A president cannot govern a country day to day by simply basing his decisions on public opinion or the media. If I did that it would be a disaster.

After a pause he added: "Even though it is obvious that in the short term my popularity will be affected, the best thing I can do politically is to do a good job. I mean, to face the crisis, make decisions, and not pay too much attention to that kind of information. In the end people will evaluate that and ask themselves: Who made all the decisions? Who suffered the cost of those decisions? Who did not lie?"

The Mexican president kept his poise at all times. To another question about those who describe him as politically inexperienced, he said: "I was told, I have been told, this guy is not a politician."

The president added: "How can they say that to people? I do not know if by traditional standards I am a politician, but I do know that I am not a liar, I do not like to lie to the Mexican people. I have come to realize throughout my life that it is much better to tell the truth; from a political standpoint, it is the best thing to do."

The head of the Mexican state finished the conversation by adding: "What is going to happen in 1997?" And he answered: "Mexican voters will decide that; it is also something political parties have to work on and that the party (PRI) [Democratic Institutional Party] will have to decide to give a good fight for Mexican votes. I will not make decisions based on the 1997 elections, I must act like a responsible leader." Ernesto Zedillo arrived in Toronto with his delegation in the afternoon. Following the protocol he met with a group of businessmen whom he addressed on the economic situation in Mexico and gave them confidence to invest, to believe in Mexico. In the evening, he attended a dinner with other groups of businessmen from the Business Retreat and the Business Council on National Issues. He will leave for Calgary early today.

Mexico: Subcommander Marcos on Resumption of Talks

PA1806160296 Mexico City LA JORNADA in Spanish 11 Jun 96 p 7

[Report on interview with Subcommander Marcos, leader of the Zapatist National Liberation Army of Mexico, by correspondent Elio Henriquez in La Realidad, Chiapas on 10 June]

[FBIS Translated Text] The EZLN declared the end of the *maximum alert* declared one month ago, **Subcommander Marcos** reported and affirmed that the EZLN does not want the San Andres Larrainzar talks to fail and is not betting on the weariness of the "already weary government apparatus."

He warned, however, that the "constant resumptions" in San Andres carry with it a "weariness that may prompt the sides to say enough of talks and resume the fighting." He asserted that the "main obstacles in the peace process have not come of lately from the Mexican Army but from the Federal Judicial Branch and the Chiapas government."

The "May crisis" demonstrated the EZLN is willing to do whatever it takes, even facing the consequences that may stem from the reactivation of a warrant for his arrest and "to resume the war to avoid coming to the dialogue without any dignity," the guerrilla leader said during a news conference held in the early morning hours of today, after meeting with Cocopa [Harmony and Peace Commission] in this ejido [ejido tojolabal].

The tension, he added, also served to allow Cocopa to give signs of its capacity to get the country out of the crises "in which it constantly strives to get into," and demonstrated that civilian society reacted, although the government "was figuring that the EZLN no longer meant anything" to it.

"We risk everything," **Marcos** insisted and stressed: "We were willing to assume the consequences that not holding the talks under these conditions entailed, not just breaking off the talks."

He noted that after last night's meeting with Cocopa and with the messages sent to the federal government through Conai [National Mediation Commission], "we are reaffirming that our side remains committed to dialogue and to a political solution, because we want a dialogue under conditions of dignity and justice that

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really bring us out of the conflict with our heads up high and not as criminals asking for forgiveness or humbling ourselves before an authority that has always tried to destroy us."

He insisted that the government is trying to "reduce the conflict to a police problem, something that does no good," and the EZLN message is: "Forsake that police mentality. You are not facing criminals, you are facing the people, as the law says, who became unhappy, who rebelled over a situation, and had to choose to fight. This situation has to be resolved not just to resolve the Zapatist's problem but to set a precedent that avoids further 1 January uprisings elsewhere."

Smiling, jesting, in a good mood under a constant drizzle, **sub** told reporters from different news media that the 6 June release of Javier Elorriaga and Sebastian Entzin constitutes "an important signal" from the government, from which we are "awaiting more signals."

He noted that their release came about thanks to the participation of several sectors, including civilian society at home and abroad and civilian Zapatism. "Cocopa was able to grasp this whole climate of unrest and appreciate the risk of the rupture of the talks. It moved, as its duties required, and as it has resolved other crises in this climate." He stressed, however, the 16 alleged Zapatists who remain in prison must be released "in order to end the tension in this respect."

[Henriquez] Will the EZLN maintain its **maximum alert**?

[Marcos] No, we think that with this meeting... that is what **Commander Tacho** announced on behalf of the CCRI [Clandestine Indian Revolutionary Committee]. We immediately informed Cocopa of our willingness to meet in a few days with the government's delegation and continue with the San Andres talks.

At this time we are giving the order to our military units to return to normal and we hope that this will put us once again on the path toward dialogue rather than return us to the military logic, the logic of war. [end Marcos]

In his opinion, during the talks "crisis" some part of the government, or the federal government, "wanted to assess the extent to which the EZLN was committed to the talks and to the extent to which it was committed to the military path. "We proved we support the path of dialogue but not at any price. We are not prepared to sacrifice our dignity. In this respect, to accept we could be labeled as terrorists meant accepting we are delinquents."

"More than the other side, we believe that we have been able to overcome the crisis. Although the likelihood of a military solution has not been entirely ruled out, it does seem somewhat more difficult now that we have been able to hurdle the crisis. This is why we would like to outline a solution to this crisis within a new legal framework and a new outline. This new outline would eliminate the likelihood of both sides not only resorting to the use of weapons but also all military threats, military tensions, the threat of a break in the dialogue, or the use of military actions by either side. I also speak on behalf of the EZLN."

The subcommander pointed out that the EZLN anticipates that the main players involved, among others the Mexican Army, "will know how to interpret what the EZLN's position with respect to San Andres is really about. We do not seek to have San Andres fail. Neither are we gambling on the weakening of an already weakened government mechanism in a crisis where no one is sure in favor of whom it will end.

"We believe that the only way to solve the crisis is by means of a transition to democracy, and that this is going to materialize from the opposition not from the ranks and files of the government. We would like to see this take place with the least social cost to the nation as possible, without a war, much less a civil war."

Subcommander Marcos claims that following the "May crisis" both sides should "give in" on a new proposal and acknowledge that new players such as the Cocopa and society have now appeared and that they deserve to be given an opportunity.

The New Legal Framework

With respect to the new legal framework and dialogue proposed by the EZLN, Marcos explained that several new initiatives will be unveiled during the 20 June meeting with the Cocopa. "What we are proposing is the total transformation of the dialogue and negotiation process into a political mechanism and the annulment of all military options," Marcos stressed.

[Henriquez] Will the formulation of this new legal framework be parallel to the San Andres dialogue?

[Marcos] Yes. We are committed to not stopping San Andres. What we want is to negotiate with the government delegation in San Andres this new legal framework as it pertains to them, while opening channels of communication with organizations, not with an enemy, but rather with a group committed to peace which is the Cocopa. We have insisted to the Cocopa that our main interest lies in having more direct and frequent contacts and they have responded favorably.

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[Henriquez] Is the military climate appropriate for this kind of meetings to take place?

[Marcos] What took place was that once this meeting had been announced, the military zone high command decided to suspend all military patrols on this side of the region. Military patrols continued on Altos de Chiapas and in the north but on this side the meeting became a reality. We believe that if this policy continues military pressure will finally be discarded since it would no longer make any sense. Helicopter flights, and the deployment of weapons and ammunitions can very costly, much more than the EZLN issue.

Any way, the most pressing problem continues to be the one related to the **white guards**, the armed groups operating mostly in regions where there are no Zapatist troops. What we have is a sort of law of the jungle outside the Lacandona jungle since there are no such armed groups operating in this region. What we have been having are mostly score-settling cases between political groups fighting over minor political clout, municipal power and the state government's inability to control these groups through a consensus by the municipal council.

[Henriquez] If this situation continues, will the EZLN request the resignation of Chiapas Governor Ruiz Ferro?

[Marcos] That has to be... We do not recognize Ruiz Ferro as governor. First, he was not elected by the people of Chiapas. Second, he is illegally occupying the office of governor since he was ratified well past the legal time frame. He is an illegal governor. Congress should be made to stand trial for having ratified him at a time when Robledo Rincon's leave of absence had expired. Robledo Rincon is currently your ambassador in Argentina. (laughter) Mine, he is not.

Mexico: Zedillo Receives PRC Foreign Trade Minister

PA1806214796 Mexico City NOTIMEX in Spanish 0207 GMT 18 Jun 96

[FBIS Translated Text] Mexico City, 17 Jun (NOTIMEX) — Mexican President Ernesto Zedillo Ponce today met with Wu Yi, the PRC's foreign trade and economic cooperation minister, with whom he exchanged views on bilateral issues.

In a communique, the Presidency of the Republic reported that in a private meeting held in the president's official residence, Chinese Minister Wu Yi and President Zedillo discussed various bilateral issues, specifically economic ones.

Wu Yi expressed to Zedillo her country's interest in analyzing some areas of cooperation to take advantage of the great potential existing between the two countries in areas in which they have agreed in a number of multilateral forums.

Mexican Commerce and Industrial Development Secretary Herminio Blanco Mendoza, a PRC delegation, Foreign Investments Deputy Director Ma Xiuhong, and Policy and Development Director General Zhou Jie, were also present during the meeting.

Mexico: Tijuana, Ciudad Juarez Cartels Dispute Jalisco

PA1806121696 Mexico City LA JORNADA in Spanish 12 Jun 96 pp 1, 21

[Report by Juan Manuel Venegas and Ciro Perez Silva]

[FBIS Translated Text] The Tijuana and Ciudad Juarez drug cartels are fighting for control of Jalisco territory. This area has been exclusively controlled by the Tijuana cartel chieftains, the Arellano Feliz brothers, in the past years. An Office of the Attorney General of the Republic (PGR) report indicates that "this organization's status and its territorial control in the state is far superior to that held by any other drug trafficking band."

In the struggle for territory, which is characteristic of organized mafias, "most of the fighting" between the Arellano Felix brothers against Joaquin Guzman, alias El Chapo, and Sinaloa cartel leader Hector Luis Palma, alias El Guero, between 1990 and 1995, has been over control of Jalisco.

Now, according to Federal Judicial Police [PJF] assessments, the Juarez cartel has joined the fight to control the western drug trafficking routes. This assessment is based on the fact that one of the organization's main chieftains, Pedro Lupercio Serratos, is in Guadalajara.

PJF reports indicate that the Tijuana cartel asserts and exercises its command over the states where it controls the police corps. However, in Jalisco, "this command was negatively affected by El Guero Palma, who managed to control practically all the federal forces assigned to this state, in complicity with Jalisco PGR delegate Apolinar Pinto, who was arrested, together with the drug trafficker, last year."

After Palma was arrested in June 1995, the mafia started to reorganize in Jalisco. "This reshuffle was also necessary because PAN [National Action Party] member Alberto Cardenas Jimenez won the local government and because changes had been ordered in the PGR offices."

Currently, the PGR believes that the reason chieftains, who are identified with the Juarez cartel, are in Jalisco is because a new fight over territory has started with the Tijuana cartel, whose chieftains have maintained the

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Guadalajara market as "one of the areas in which they have the most influence."

Regarding the "strong presence" of the Arellano Felix family in Jalisco, the PGR report asserts: "Carlos Alberto Arellano Felix, 42 years of age, has a surgeon's degree from the Autonomous University of Guadalajara, and his work in the Tijuana cartel has been to launder money through discotheques and clothing stores established mainly in Guadalajara, Mazatlan, and Mexico City.

"Eduardo Arellano Felix, 40 years old, is a University of Guadalajara graduate, and is the person who has the most influence over his brother, Benjamin (the main leader of the Tijuana cartel), in planning the control of territories.

"Other members of the organization with influence in Guadalajara are: Alicia Maria and Enedina Arellano Felix — the latter a graduate of the Valle de Atemajac University in Guadalajara — who launder money using countless construction and real estate companies."

Likewise, the PGR report indicates that Ramon Arellano Felix "was a member of a good team at Guadalajara University in the time of Mariano Morales, alias El Pelacuas."

Finally, the report also mentioned Francisco Rafael Arellano, who in addition to establishing and controlling "many companies in Guadalajara," is well known in Mazatlan as a businessman and owner of entertainment centers, the partner of boxer Julio Cesar Chavez in several businesses such as hotels, discotheques, and car rentals."

The PGR report concludes that all this has contributed to maintaining the Tijuana cartel's control over the western routes.

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Guatemala

Guatemala: Arzu on Army's Role, Dialogue With UK, Belize

PA1906042796 Guatemala City Televisiete Television in Spanish 1900 GMT 14 Jun 96

[From the "Channel Seven News"]

[FBIS Translated Text] Guatemalan President Alvaro Arzu announced that the Army has been preparing to directly engage in the fight against drug trafficking and to stop kidnappings after a peace agreement is signed.

[Begin Arzu recording] We have to wage a merciless war against a very well-trained and well-equipped opponent that has abundant resources. This is the case, for instance, with drug traffickers and gangs of organized crime that you have observed. Part of our success is due to the fact that civilians and the Armed Forces have cooperated to protect our country's security. Therefore, there are many tasks ahead of us, like the protection of our natural resources. In short, the Army will play a very significant and even more difficult role than it does now. [end recording]

In further statements, President Arzu said the National Council on Belize intends to establish a dialogue with the British and Belizean Governments.

[Begin recording] [Arzu] This was a diplomatic visit during which they made an examination, more or less, of what has been discussed. They encourage us to promptly establish a political dialogue with both Belize and the UK. However, little has materialized in fact. They recommend the prompt initiation of some talks in this regard.

[Reporter] What is your stand in this...?

[Arzu, interrupting] Well, we will do so. I believe that it is important for us to promptly initiate an open, clear, and frank dialogue so that the people are informed of the terms in which this is done in order to finally reach an outcome. [end recording]

Guatemala: URNG Rejects Amnesty, Wants Recognition

PA1806214196 Panama City ACAN in Spanish 1745 GMT 16 Jun 96

[Report by Cristina Hasbun de Merino]

[FBIS Translated Text] San Salvador, 16 Jun (ACAN-EFE) — The Guatemalan guerrillas have maintained that an amnesty to facilitate their reintegration into civilian life is not negotiable and that they wish to become a powerful political force following the signing of comprehensive peace agreements with the government.

Gaspar Ilom [Rodrigo Asturias] and Pablo Monsanto [Jorge Ismael Soto], members of the "General Command" of the Guatemalan National Revolutionary Unity (URNG), said during an interview with ACAN-EFE and another Spanish press agency in the capital, that they reject the amnesty and are proposing to adopt a different legal mechanism to be recognized as a political force.

Pablo Monsanto explained that they reject the amnesty because, if it is given in a general fashion, it will serve to "cover up human rights violations, the impunity that reigns today in Guatemala," and because "we are social fighters and we do not consider ourselves in violation of the Constitution."

He pointed out that his country needs constitutional reforms because the Constitution "was made in the framework of war" and established for institutions such as the Army, duties that should not be under their jurisdiction.

"The Guatemalan Army has abolished the Constitution on three or four occasions through coups d'etat; we have not been the ones breaking the law, instead it has been the Army as an institution," said the rebel "commander."

Monsanto said that there have been studies made on the experiences of other countries, for example Uruguay, where the state assumed the responsibility "for what had happened" and through a decree it allowed all those who participated as guerrillas to be reintegrated into society.

"In other countries and continents there have been other ways, not necessarily an amnesty; what we do not want, as we say in Guatemala, is to be put in the same bag of criminals and with those who have kept the people under fear, violence, and repression," said Monsanto.

Meanwhile, Gaspar Ilom, whose real name is Rodrigo Asturias, said that the URNG can become a legal political party without an amnesty and that "our aspiration is to become a powerful political force in Guatemala."

Ilom said the Guatemalan judicial system is in need of deep reforms and of a purge because "impunity continues to be a serious problem," and that it is also necessary to purge the police and the Army.

He recalled that the UN mission for his country (Minugua) handed in a number of recommendations for that purpose to the government and the URNG before the round of negotiations that will start on 21 June in Mexico, where they will discuss the strengthening of civilian power and the role of the Army in a democratic society.

"All these measures are aimed at removing the cancer of Guatemalan society, impunity, which is the source of a number of evils related to drug trafficking, car theft gangs, and kidnappings," said Ilom.

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He also said that those groups affect all of society and that it is an "extreme priority" to fight them, because "the ability to regain control of the reigns of government will depend upon that and upon the government's capabilities."

Ilom pointed out that organized crime "involves mafias with ties to powerful sectors of the government that become a destabilizing factor of extraordinary political importance, even though we are aware that this is no longer part of the official policy."

Gaspar Ilom said that during the next round of negotiations the URNG will propose a reduction in the number of military troops, a purge of their ranks, and limitation of their functions to national defense, which implies a complete detachment from everything related to public security.

We, however, "should be realistic and study the transition phase, because we cannot create a new police force and leave the country without police," said Ilom.

He pointed out that "the situation of the police in Guatemala is incredible. The police are virtually nonexistent. Additionally, it is plagued with vices, and with its means and resources, an international specialist said the other day, it is a miracle it operates at all."

Honduras

Honduras: Reina Rejects U.S. Anti-Drug Treaty Effect

PA1806164796 Panama City ACAN in Spanish 2252 GMT 17 Jun 96

[FBIS Translated Text] Tegucigalpa, 17 Jun (ACAN-EFE) — Today, Honduran President Carlos Roberto Reina rejected the notion that Honduras' sovereignty is going to be affected by the treaty that is being negotiated to fight drug trafficking and money laundering with the United States.

Today, Honduran Prosecutor General Angel Edmundo Orellana Mercado said that a draft of the agreement submitted by the United States contains measures that, in the opinion of the Honduran civilian and military negotiators, "violate national sovereignty."

According to sections of the proposal revealed by the local media, Honduras would relinquish part of its sovereignty to the United States by allowing the United States to penetrate into Honduran territory, without authorization, to capture drug traffickers, or to seize drugs.

In addition, U.S. DEA [Drug Enforcement Agency] agents would have diplomatic immunity.

"We are not going to violate Honduras' sovereignty, however, we are going to help Honduras, and humanity, fight against that pestilence," President Reina affirmed.

Reina said: "We must not confuse the issue, but, maintaining the nation's dignity, we must cooperate in the fight against drug trafficking."

Reina made a few brief comments regarding the issue while attending the inauguration of a new regional center of the National Autonomous University of Honduras (UNAH) in the former Honduran capital Comayagua, in the northern part of the country.

The new UNAH center — which Reina refused to be named after him until after he leaves the presidency in 1998 — joins other UNAH centers operating in San Pedro Sula and the port of La Ceiba, in the northern part of the country.

In recent months, Honduras and the United States have been negotiating a treaty to jointly combat drug trafficking and money laundering. The most recent round of talks occurred Friday, 14 June, in Tegucigalpa.

The two countries are preparing another agreement to combat automobile theft.

Like President Reina, other Honduran officials affirmed that the negotiations with the United States continue, and that measures that violate national sovereignty will not be allowed.

"We will safeguard the nation's sovereignty," Foreign Affairs Minister Delmer Urbina Panting said. Panting recalled that "every treaty" to be signed with another country has to be approved by the Foreign Affairs Ministry, the Presidency of the Republic, and the National Congress.

Prosecutor General Orellana pointed out that the signing of the agreement "will probably not take place soon because it is being revised," due precisely to the measures which "violate national sovereignty."

Orellana said that the United States submitted a proposal for the agreement that is currently being discussed, and that Honduras, because of the eventual violation of Honduran sovereignty, has made a counter-proposal.

According to sources from the two countries, approximately 90 percent of the drug trafficking from South America to the United States passes through Honduras.

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Honduras: Drug Official on U.S. Agreement, Sovereignty

PA1806214496 San Pedro Sula TIEMPO in Spanish 18 Jun 96 p 3

[FBIS Translated Text] Tegucigalpa — Yesterday, Carlos Sosa Coello, chairman of the National Drug Interdiction Committee, said that Honduras will defend its sovereignty in the negotiation of an agreement with the United States to fight drug trafficking.

In a statement disclosed by Radio America, Sosa Coello said that "Honduras will demand the full extent of its sovereignty, its interests as a state, and its leading role as the state responsible for actions against drug trafficking within its waters and territory."

A U.S. delegation, originally headlined by Deputy Secretary of State Jonathan Wayner, arrived in Tegucigalpa last week and Honduras has responded by making observations on areas of disagreement, Sosa Coello noted.

He explained that Honduras proposes that its sovereignty in its 12-mile territorial sea be respected, as well as its 200-mile exclusive economic zone and 24-mile contiguous area "within which a ship is in Honduran territorial waters."

He indicated that the negotiation with Honduras "is being conducted in keeping with a model that the United States is negotiating with several nations, including Belize, Jamaica, Guatemala, Nicaragua, Costa Rica and Panama."

He added that the negotiations are taking place within the framework of the UN Convention Against the Illegal Traffic of Drugs and Psychotropic Substances, which Honduras signed in 1988.

He remarked that if the local organizations and institutions tasked with seizing the drugs being sold in the country did their work in a truly efficient manner, "we would not need any assistance from anyone."

Honduras needs technical assistance from the United States, but it must not lose sight of the importance of ensuring "the Honduran authorities' leading role in each and every one of the operations," he contended.

He explained that the agreement was already studied by an ad hoc presidential commission appointed by President Carlos Roberto Reina. This commission is composed of members of the Foreign Ministry, the Navy, the Merchant Marines, and the Government Ministry.

He added that the agreement could be signed within 30 or 60 days and would be later ratified by the National Congress "because it is a treaty that comprises military commitments that affect the country's sovereignty."

Honduras: U.S. Officials Not To Receive 'More Privileges'

PA1806214596 Tegucigalpa EL PERIODICO DE HONDURAS in Spanish 18 Jun 96 p 9A

[FBIS Translated Text] Tegucigalpa — The country's sovereignty will be preserved and we will not grant U.S. diplomats or narcotics police any more privileges than those given by the Vienna Convention, Foreign Minister Delmer Urbizo Panting said emphatically.

Urbizo admitted that U.S. representatives met with members of the Merchant Marines, the National Drug Interdiction Committee of the National Congress, the Office of the Prosecutor General, and the Foreign Ministry to discuss different subjects.

As a result of this meeting, U.S. narcotics police have reportedly obtained permission to freely enter into national territory to capture drug traffickers.

On that subject, the foreign minister pointed out that before reaching an agreement or signing a treaty, the document must be analyzed by the Foreign Ministry, then by the executive branch, and finally by Congress, which will approve or reject it.

Urbizo abstained from revealing any details, arguing that he has not seen the report presented by Honduran negotiators, even though they meet at the Foreign Ministry building.

Honduras: Official on U.S. Counternarcotics Agreement

PA1906034296 San Pedro Sula TIEMPO in Spanish in Spanish 18 Jun 96 p9A

[FBIS Translated Text] Tegucigalpa — Attorney General Edmundo Orellana Mercado said yesterday it is all right for the United States to cooperate in the struggle against drug trafficking by providing technology, but the country cannot give up its sovereignty.

Orellana Mercado said it is true the North Americans are requesting that the agreement to fight drug trafficking include authorization for U.S. vessels and planes to enter Honduras.

"The National Drug Council has learned of the objections. We totally agree with them. We cannot give up national sovereignty; no country has the right to intervene in national territory," he said.

Nevertheless, he believes the North Americans can cooperate with the Honduran police by providing their technology.

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Nicaragua

Nicaragua: CSE President Rosa Zelaya Interviewed

PA1806140496 Managua Canal Dos Television in Spanish 1600 GMT 9 Jun 96

[Interview with Supreme Electoral Council (CSE) President Dr. Rosa Marina Zelaya by "This Week" Director Carlos Fernando Chamorro in the studio — live or recorded]

[FBIS Translated Text] [Chamorro] You have received an enormous amount of requests for personal identification cards [cedulas]. I have been told that you are unable to attend to all the requests and that other people will receive alternative voting documentation. Some citizens may feel somewhat discriminated because they are given another document instead of a personal identification card. Are the two documents equally valid? Why cannot everyone receive a personal identification card?

[Zelaya] As far as voting is concerned, both documents are equally valid because they are both issued for identification purposes before the vote counting boards [juntas receptoras de votos — JRV]. Of the 1.96 million requests, we reckon we shall be able to deliver 1.1 million personal identification cards. Right now we have already manufactured 540,000 personal identification cards and by 20 September, the last day to deliver them, we believe we will have 1.1 million. The remaining 800,000 people will vote with alternative voting documents. These are people who either have problems at the Public Registry or other problems, which prevented us from authorizing them a personal identification card. Immediately after the elections these cases will be again dealt with until we are able to deliver the personal identification cards. Likewise, in the 26 municipalities where we have not issued personal identification cards, we will begin operations, immediately following the elections, so that when the time comes for municipal elections, which will be the first ones after this general election, every Nicaraguan citizen will be able to vote with their personal identification card.

[Chamorro] There is talk of a deep CSE budget deficit, both in domestic funds as well as in foreign cooperation. How serious is the risk that this economic problem can deteriorate the system to such an extent that it can affect its credibility?

[Zelaya] We have been working hard to acquire the necessary financial resources. This past week we received the very pleasing visit of the Swiss ambassador and we were offered $1 million, which is on the way. The Japanese ambassador offered $477,000, which reduces the deficit from the previous $7.1 million figure. Now our deficit stands at $5.7 million. If we take into account that for the runoff election the deficit is estimated to, let us say, $4.3 million, the deficit for the main elections has now been considerably reduced to approximately $1.3 million. We expect to solve this pending deficit of approximately $5.7 million for the main and runoff elections during the upcoming months. We are now in June; we still have all of July and August and part of September to be able to secure this money. We also have an everyday working deficit within our institution, which amounts to $6.9 million. This one has not yet diminished, but we have the executive branch's pledge to check out our financial problem and resolve it as conditions allow. This lack of definition of its own budget obviously puts some strain on the CSE, but we also understand the country's economic situation. This past weekend we were supplied funds a little late and this forced us to delay payment somewhat of daily expenses, but we have not had any significant shortage of money for the ad-hoc electoral registration or the verification.

[Chamorro] Former CSE president Mariano Fiallos has said that there are two serious problems. One of them deals with finances and the other with the electoral law. He also said that, although the problem or possibility of fraud is nonexistent, this process is much more complex and risky than the one he supervised in 1990 and 1994. To a certain extent, you are a Dr. Fiallos disciple in electoral matters. Will the student outdo her teacher in the coming 1996 elections?

[Zelaya] I certainly regard Dr. Fiallos as a true mentor. I worked with him in the 1984 and 1990 general elections and later in the Atlantic Coast's regional elections of 1994. He created a true school in the CSE, where he taught not only me but many other CSE officials. [2 second reception break] To begin, three elections were held in 1990 alone. Now we will hold six elections. This means more candidates and more political parties. We now have 33 parties plus 43 nominating groups [asociaciones de suscripcion popular]. In addition, we have a somewhat weak electoral law. The electoral law for 1990 election was more comprehensive. The current law has more gaps, which the CSE will have to fill in with administrative resolutions. The financial problem also poses an important challenge, which the CSE must take care of. In sum, these elections are much more complex. Our only advantage is that the people have already participated in different elections. This fact is significantly important because the people already know how to handle an electoral ballot. They already know how to handle three. Now they will have to handle six. We are planning to set up several booths so several citizens can prepare their ballots simultaneously. In this way, the election will not drag on. The voting process

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will begin at 0700 in the morning. In this way, we will not have to have people voting at night. I think that, with the participation of the people, political organizations, supervisors, and various government agencies, as well as the CSE's great willingness and determination, we can hold free, transparent, and pure elections, which will prove exemplary for ourselves and the world.

[Chamorro] For many people, the elections are a civic festivity, although others regard them as a feast of ambitions. Some people even view the electoral process as an opportunity for political parties to do business with the money the government gives them to pay for their campaign and obtain a seat. This issue is of special interest to the citizens. According to the electoral law and the budget law, 8 percent of the electoral budget is to be given to political parties for financing their campaigns. How much will each party be given? What measures will the Comptroller General's Office and the Electoral Council adopt to prevent a political swindle?

[Zelaya] For distributing the state funds, as provided for by the electoral law, the CSE must take into consideration the number of political organizations that will participate in the elections. We only have to complete the registration of candidates for municipal councils, mayors, and deputy mayors of the Northern Atlantic and Southern Atlantic regions. We have already concluded the registration of the other candidates. We also have to know how many candidates will participate for every political party and nominating group. We are precisely in the stage of challenges...

[Chamorro, interrupting] What is the ranking? What is the ranking that is employed? Everybody wants to know how much money is a party vying for the presidency going to get?

[Zelaya] I cannot tell you exactly today for two reasons. First, we have not finished finding out how many participants are there, or the number of candidates that we will have at the end, because we have to take that into consideration to give them money. In addition, you talked about an 8 percent, but that has not been decided yet. When the Republic's general budget law was published it should have included what percentage goes to the CSE budget. If you read that law, you will see the CSE does not get a single cent, but according to what some deputies told me the amount was set at 15 percent.

[Chamorro] They want more money. Does that refer to the regular budget or foreign donations?

[Zelaya] That is the other thing we do not know. We do not know because if it were based on the regular budget the amount would be over 79 million cordobas, if it were based on the extraordinary budget from the international community, that amount would be 15 percent of $31.8 million. The difference is pretty substantial.

[Chamorro] What measures will you take, since a lot of money is at stake and there are many parties of all tendencies? There are serious parties, and there are parties that are not so serious or as well-known to the people? What measures are you going to take to ensure this money is given its intended use?

[Zelaya] The CSE has already issued a bill on norms to control everything dealing with state financing and the funds international donors contribute to the political parties, funds that can only be used for training and technical assistance. Nicaraguans can make direct contributions to the political parties, alliances, and associations. We have been discussing this with the Comptroller General's Office, which will truly control the utilization of funds that come from the state, abroad, or directly from Nicaraguans to political organizations. Next week, the CSE has scheduled a meeting, to be attended by the Comptroller General's Office, to discuss with the representatives of the political parties how they should handle their accounts, their accounting, so that when they have to submit a report on the funds they received from the state or from the two other sources I mentioned earlier they will not be surprised and will be able to do it properly.

[Chamorro] Are these regulations sufficiently safe or strict to avoid here what has happened in other countries, where drug money or laundered money can infiltrate the political system?

[Zelaya] The electoral law tried to prevent that. The legislators tried to prevent that situation. You may recall that in the 1990 elections the law was much more open, as it allowed donations from abroad to come without restrictions. The law now limits it to training and technical assistance. Donations from abroad can no longer be obtained as openly.

[Chamorro] Let us talk about the case of parties that will be forced to return the money if they fail to win a seat in the National Assembly. I think this is of great interest to the people. The law states these parties would have to reimburse this money within a five year period at an interest rate of 3 percent over the balance. Is this realistic? We know how politics are handled in Nicaragua, and we have never seen a party returning the money it received to finance its political campaign.

[Zelaya] This is the first time the electoral law mentions that, and I find these two provisions are extremely sound. One is that if a political party fails to win a seat in the National Assembly its legal status is canceled almost

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automatically. If no candidate from that party is elected deputy, that party has to return to the state the amount it received during this period. We are foreseeing that when we hand out the funds earmarked for the electoral campaign...

[Chamorro, interrupting] How about the surety bond [words indistinct]?

[Zelaya] This will be done through a public deed and requiring a surety bond. This surety bond really has to be acceptable so it can serve as collateral for the political debt that a political party, alliance, or association may incur if it fails to win a seat in the National Assembly.

[Chamorro] Here is one last question. Foreign and local observers. Some people in the report we aired said they attribute observers a complementary factor to enhance the credibility and legitimacy of this process. Are foreign observers going to be recognized? Has it not been clearly defined if Nicaraguans can establish organizations that can also serve as observers of the elections? How does the CSE feel about that?

[Zelaya] As for the matter of the international elections observers, we have given credentials to 185 observers. Some are international elections observers. Others are invited elections observers. Others, namely ambassadors or members of the diplomatic corps, have courtesy passes. We hope... [pauses] Right now, we have a total of 185 and hope to have many more for the elections.

As for the matter of national elections observers, which is a topic some distinguished Nicaraguan citizens have brought up, the CSE has included it on its agenda for the coming weeks. At this time, we have been working on the registration and verification of candidates. We will issue a public statement on this at the appropriate time. It will be a new development, as it will be the first time we have something similar in Nicaragua. We are studying it. We are going to meet with the group that has proposed it. We will consider their viewpoints and issue a statement later. At any rate, if approved, this will be done based on the same norms regulating international observers.

Panama

Panama: Ricardo Arias Appointed Foreign Minister

PA1906011196 Panama City Circuito RPC Television in Spanish 2300 GMT 18 Jun 96

[Report by Alexandra Ciniglio; from the "RPC Television News" newscast]

[FBIS Translated Text] Ricardo Alberto Arias was sworn in as foreign minister of the Republic of Panama. He replaces Gabriel Lewis Galindo, who, due to health problems, resigned and will now become the new presidential adviser. The official event was held in the presidency of the Republic. President Ernesto Perez Balladares signed the executive decree that ratifies this cabinet change. Gabriel Lewis Galindo, who had been the foreign minister since September 1994, leaves the post.

[Begin President Perez Balladares recording] He has placed Panama's name in the seat of honor it deserves. He has established seasoned and respectful relations with many countries of the world, especially with our partner and ally, the United States of America. He has made investors from many countries want to come to Panama. [end recording]

Lewis Galindo's replacement is the, up to now, Panamanian ambassador to Washington, Ricardo Alberto Arias. Gabriel Lewis Galindo's health problems do not allow him to continue at the accelerated pace demanded by the job, therefore, he will now be the new presidential adviser. This position was created by executive decree and will be included in the Presidency Ministry's budget.

[Begin Perez Balladares recording] He is replaced by a man who has also done an excellent job in the short months that he has been at the helm of the Panamanian Embassy in Washington: Ricardo Alberto Arias. We give him our most cordial welcome to the cabinet. You have shown that you have great abilities are able to handle the intricacies of the Panamanian Embassy in Washington, which is, of course, the most important embassy Panama has abroad. [end recording]

Together with Juan Alberto Arias, Alejandro Ferrer enters the government as deputy foreign minister. Ferrer is the youth leader of the Molirena [Nationalist Liberal Republican Movement] party, who worked as our negotiator with the WTO in Washington over the past several months.

The name of the new Panamanian ambassador to Washington has not been officially announced. However, top-level Foreign Ministry sources told RPC Television News that Panama presented Washington with the name of Eduardo Morgan as the person who will occupy this important post and it is now awaiting Washington's reply, which could take approximately 15 days.

Panama: DEPAT Director on Possible U.S. Military Presence

PA1906044496 Panama City EL UNIVERSAL DE PANAMA in Spanish 16 Jun 96 p A1

[Report by Victor Dagoberto Torres]

[FBIS Translated Text] Juan Antonio Stagg, executive director of the Panama Treaty Affairs Executive Directorate (DEPAT), said Panama and the United States are studying, within their respective governments, the military bases' permanence after 2000.

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Stagg said President Ernesto Perez Balladares has appointed a commission to discuss the possible permanence of military bases in Panama. He said Panama and the United States are studying within their respective countries the implications and the need to keep, or not to keep, military bases in Panamanian territory.

He nevertheless explained that, although there is still no pledge from the two countries regarding the permanence of a military base in the country, "one cannot exclude the topic from possible deliberations because the two of them (Panama and the United States) are sovereign nations and they can agree what they want."

Stagg said: If Panama ever sits down with U.S. representatives to discuss the military bases' permanence, this must be previously approved by a Cabinet Council and the Legislative Assembly; and it must be subject to a referendum. He said that citizens can rest assured that the Panamanian Government is giving serious and responsible consideration to the military bases' permanence.

Regarding the statement by U.S. General [John] Sheehan, who said approximately 4,000 U.S. military will remain after 2000 to counter drug trafficking, Stagg said this is an estimate of what they [the United States] might keep in Panama; adding this a U.S. Army representative's opinion.

He added that the Panama Canal will be turned over to the Panamanian people on 31 December 1999, and this issue is not under discussion because the United States has reasserted this will be done despite any political and social situations that the Panamanian people may face.

The U.S. Southern Command began the process of returning military territories, and it is expected to turn over Fort Amador, Curundu, the Arraijan tank farm, and Emperador areas in a few months. It is scheduled to turn over Albrook Air Force Base and Gorgas Hospital next year, and Quarry Heights in 1998.

U.S. military authorities began the construction, at a cost of $11 million, of new facilities in Miami, where they will establish the Southern Command and its military forces, all of which must abandon Panamanian territory by 31 December 1999.

Moreover, Oyden Ortega, chairman of the Foreign Relations Committee, said the Panamanian Government must not renegotiate the possible stay of U.S. military bases after 2000.

Ortega said the United States must comply with what is stated in the 1977 Torrijos-Carter treaties, meaning that only the Republic of Panama will manage the Canal after 31 December 1999.

The former foreign minister said he does not know what position has been adopted by high-ranking PRD [Democratic Revolutionary Party] leaders on the base issue because he is not a member of the ruling party's national directorate.

The government had suspended exploratory talks a few months ago due to the reactions of certain political parties, student organizations, and labor union representatives, who oppose a military presence after 2000.

Panama: Government 'Not Fearful' of Any Investigation

PA1806192496 Panama City ACAN in Spanish 1919 GMT 17 Jun 96

[FBIS Translated Text] Panama City, 17 Jun (ACAN-EFE) — Presidency Minister Raul Arango said today the Panamanian Government is not fearful of any investigation related to the possibility that it reached power thanks to drug trafficking money.

"I am sure the government team is completely willing to open any books. We do not fear any investigation; quite the contrary, we want to clarify this situation once and for all," Arango pointed out.

The minister was referring to reports published by British magazine THE ECONOMIST and by U.S. newspapers THE MIAMI HERALD and THE NEW YORK TIMES on the possibility that President Ernesto Perez Balladares reached power in 1994 thanks to drug-trafficking money.

These kinds of information, which the government has categorically denied, do not go against an individual or a party, but against the country," the minister added.

In his opinion, it is "incredible" that some are Panamanians "willing to cause such heavy damage to the country in order to further their goals of political revenge."

All national leaders have proposed a bill requiring disclosure of the source of party financing in the wake of the scandal that these international publications provoked.

Arango noted that a team of British lawyers, who will discuss with Perez Balladares the possibility of suing THE ECONOMIST, could be arriving in the country this week.

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Argentina

Argentina: Menem Views Border Conflict With Tudela, Leoro

PY1806214696 Buenos Aires TELAM in Spanish 1547 GMT 18 Jun 96

[FBIS Translated Text] Buenos Aires, 18 Jun (TELAM) — President Carlos Menem today met with the Peruvian and Ecuadoran foreign ministers and the representatives of the Rio de Janeiro Protocol guarantor nations. During the meeting the president made a call to Peru and Ecuador to solve their border conflict as soon as possible.

"The president is satisfied that the meeting between the two parties in the conflict is taking place in Buenos Aires. He urged both parties to show perseverance and goodwill, as they have done so far, to continue the dialogue in order to find a solution as soon as possible," Argentine Foreign Minister Guido Di Tella said.

Peruvian Foreign Minister Francisco Tudela, Ecuadoran Foreign Minister Galo Leoro Franco and the representatives of guarantor countries, Juan Uranga (Argentina), Ivan Cannabrava (Brazil), Favio Vio (Chile), and Luigi Einaudi (United States) participated in the meeting at the Olivos residence.

Di Tella said that the alleged diversion of arms to Ecuador "was not discussed" during the meeting at the Olivos residence.

Di Tella said that the meeting between the representatives of guarantor countries and the Peruvian and Ecuadoran foreign ministers will open formally at noon, stressing that among the matters to be discussed is the issue of a future meeting in Brasilia that will take place at the end of this year."

"In this meeting in Brasilia delegations will discuss the most substantive issues to resolve the conflict in the shortest possible time," Di Tella said.

The minister stressed: "If there is something that guarantor countries do not want it is to start a process that will last another 40 years. This must be done in a short period of time, because the issue is of great significance for both countries and for all Latin America."

Di Tella reiterated that the issue of the arms diversion was not discussed during the meeting, adding: "It is a problem that worries us enormously because of the role Argentina could have had being the guarantor country of the 1942 Rio de Janeiro Protocol."

"There is an ongoing investigation. We have kept Peru and Ecuador informed. We will also inform them of the result of the investigations," the foreign minister told reporters.

With respect to legal developments in the case, Di Tella said "those indicted are being tried. We still do not have a definitive resolution of the case. We expect we will soon be able to determine the responsibilities in this criminal act."

Argentina: Court Puzzled Over Deposit in Arms Scandal

PY1806191296 Buenos Aires CLARIN in Spanish 16 Jun 96 p 6

[Report by Daniel Santoro]

[FBIS Translated Excerpt] An Argentine National Bank [BNA] report on the current account of the Military Industries [IM] at its New York branch (account number 0005518010001) confirms the IM received $7 million during the first quarter of 1995 for the illegal sale of arms to Ecuador and Croatia. The identity of the person or persons who deposited that important amount has not been determined.

The justice department summoned the IM finance director to testify in an attempt to complete the financial puzzle surrounding the operation. [passage omitted]

So far the prosecution has pressed charges against former IM trustee Luis Sarlenga, a Menemist (from Carlos Menem) entrepreneur; and IM managers Colonels Edberto Gonzalez de la Vega and Roberto Franke.

In judicial circles it is expected the testimony of the finance director and the report on IM bank operations requested from the Central Bank — which the court still has not received — will shed light on the financial puzzle surrounding the operation.

A note sent by the BNA shows the $7 million that entered the IM account came from banks in Uruguay, Israel, Finland, Switzerland, and the United States.

The report has confused the justice department for two reasons:

— First, because it was supposed that the funds had to come only from Uruguay — through the Bank of Montevideo — where Diego Palleros, the brains of the Hayton Trade company which acted as intermediary, had an account. Palleros, a retired Argentine Army lieutenant colonel, is in Singapore. He was declared a fugitive from justice.

— Second, because the IM reported that Ecuador only paid $1.5 million for the 8,000 FAL [Light Automatic Rifles] and the 75 tonnes of ammunition, which raises questions about the rest of the money. [passage omitted]

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Argentina: Menem Signs Decree on Drug-Related Chemicals

PY1806235396 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1949 GMT 6 Jun 96

[FBIS Translated Text] Buenos Aires, 6 Jun (NA) — President Carlos Menem today signed a decree regulating the control of the production and marketing of chemical substances used for illegally processing narcotics such as ecstasy, which is also known as the love drug.

Menem also assessed a bill that defines the legitimation of assets (money laundering), including the removal of banking secrecy, with prison terms ranging from two to 10 years.

Menem signed a second decree, establishing the formulation of a Federal Program for the Prevention of Drug Addiction and for the Antinarcotics Struggle [Plan Federal de Prevencion de la Drogadiccion y Lucha contra el Narcotrafico], involving all the provinces. This program will be implemented within the framework of a Federal Pact [Pacto Federal] that the government will sign with all the governors.

This information was supplied at the end of the weekly cabinet meeting by Julio Cesar Araoz, programming secretary for the Prevention of Drug Abuse and for the Antinarcotics Struggle.

Concerning the regulatory decree, Araoz explained that the control will be implemented by his secretariat and will be mandatory for manufacturers, importers, exporters, packagers, distributors, and wholesale or retail dealers.

Araoz also reported that the decree includes an annex, with the lists of substances. Three new substances, "sofrol," "isosafrol," and "piperonal," which are being used for illegally processing amphetamine and metamphetamine derivatives (ecstasy), have been added to these lists.

Concerning the money laundering bill, establishing the definition of this crime in the Penal Code, Araoz explained: "Drug trafficking crimes, illegal arms trafficking, crimes involving the trafficking of human beings, crimes involving the trafficking of human organs, and crimes against public administration are described as illegal activities and are included in this bill."

Araoz explained that the bill defining the legitimation of assets establishes the removal of banking secrecy, following the authorization of a judge having jurisdiction, with prison terms ranging from two to 10 years.

In this regard, Araoz noted that next week he will send this bill to Congress, after "introducing some technical refinements, jointly with the Economy Ministry and the Justice Ministry."

Concerning the prison terms, Araoz noted: "They range between two and 10 years, as there are accessories and principals."

Araoz underscored: "Internationally, a UN report notes that money laundering involves between $500 and $700 million per year."

Araoz emphasized: "Now our country does not represent a haven for laundering money." He noted: "There are no statistics on this crime, as it is not included in our Penal Code either."

Araoz stressed: "Drug trafficking crimes are increasing around the world and we believe that if we don't take these measures quickly, Argentina might become a haven for money launderers in the future."

Asked about the most common method for laundering money in Argentina, Araoz explained that based on information supplied by some court cases, "it involves drug trafficking activities."

Concerning the decree launching the "Federal Program for the Prevention of Drug Addiction and for the Antinarcotics Struggle," Araoz noted that all the policies on the prevention of and assistance against drug addiction would be coordinated and interconnected through the establishment of a Federal Council [Consejo Federal] and a commission for struggling against this scourge.

Araoz explained: "This task will be jointly carried out with our country's security and police forces."

Araoz then reported that the International Conference for the Control of Drugs for the entire South American continent would be held in late June in Buenos Aires.

Araoz also announced that in July the United Nations, along with Bolivia, Chile, and Peru, would train judges, government attorneys, and security and police forces in Argentina.

In October, Argentina will host an OAS meeting on the control of drugs.

Argentina: Case Involving Missing Swedish Citizen Reopened

PY1806190196 Buenos Aires CLARIN in Spanish 8 Jun 96 p 7

[Passages between slantlines published in boldface]

[FBIS Translated Excerpt] The Federal Court has determined **the reopening of the investigation** into the kidnapping of Dagmar Hagelin, a young Swedish-Argentine woman who was abducted in January 1977

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in El Palomar District by an ESMA [Naval Mechanics School] task group headed by then Ship-of-the-Line Lieutenant Alfredo Astiz.

Among other legal steps, the Federal Court — which comprises Judge Horacio Cattani and Judge Luisa Riva Aramayo — decided **o summon repented former seaman Adolfo Scilingo** and Mercedes Carazo, a former ESMA detainee who has not testified in any case, but who **shared** a few days of detention with Dagmar.

Thus, the Federal Court approved a petition filed by Luis Zamora and Marcelo Parrilli, the Hagelin family attorneys, soliciting **an investigation into the Swedish student's final fate.**

The case filed by Ragnar Hagelin, Dagmar's father, for the young student's kidnapping **was prescribed** in 1988. Now the Federal Court wants to establish where Dagmar's remains are. [passage omitted]

Argentina: Steps for Noting Unfair Trade Practices Defined

PY1806235096 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1953 GMT 7 Jun 96

[FBIS Translated Text] Buenos Aires, 7 Jun (NA) — Marcelo Regunaga, trade, industry, and mining secretary-designate, announced today that the Economy Ministry has drawn up two regulatory decrees on the law that confirmed the GATT Uruguay Round agreement. These decrees establish the procedures to be pursued for reporting dumping [preceding word in English] cases or safeguards against unfair trade practices.

Regunaga believes the decrees will be signed by President Carlos Menem next week at the latest, after Economy Minister Domingo Cavallo's final review of these proposals.

Regunaga indicated: "Nowadays safeguards and dumping procedures may be initiated, but the only law on this issue is the one approved in Congress. Therefore, we want to issue these regulations for companies to have a very clear picture on the way of initiating these procedures."

Dumping and safeguard cases have been established in the GATT Uruguay Round agreement, which Argentina signed, as defense mechanisms against unfair competition or situations seriously affecting Argentine industries.

For example, dumping practices may be reported when a foreign company sells its products at prices that are below domestic market prices or below their cost.

Safeguards, which are of a provisional nature, may be applied when there is evidence that imports from third-country markets have seriously damaged local industries, regardless of the existence or nonexistence of dumping practices.

Regunaga believes that, specifically concerning shoemakers, if a report is filed and investigations are pursued, "it will be very possible to prove the existence of damage to this industry which could prompt the filing of safeguards."

Regunaga explained that "rights or quotas may be applied" to safeguard cases. In practice, this would involve choosing between increasing tariffs or establishing quotas for protecting Argentine industry.

In dumping cases, the subsidy rates (of the products reported) will be calculated and an additional tariff will be imposed.

Dumping reports are currently being processed through two departments: the Foreign Trade Commission, which reviews damages; and the Foreign Trade Undersecretariat, which calculates the subsidy rates and makes assessments.

The two departments subsequently send their reports to Regunaga, who makes the decisions. In some cases, Minister Cavallo makes the decisions directly.

Bolivia

Bolivia: Helms-Burton Law Prompts Pro-Castro Front

PY1906034596 La Paz LA RAZON in Spanish 9 Jun 96 p A5

[FBIS Translated Text] Thirty-two of the 34 OAS member countries voted against the U.S. Helms-Burton law during the OAS General Assembly held in Panama City recently. As everyone knows, the mentioned law seeks to restrict and even ban industrial and commercial activities of enterprises of any origin operating in Cuba that have any connection with U.S. investments expropriated by Fidel Castro's regime.

The mentioned law is generating conflicts between the United States and the rest of the world because this time not only the docile — before Washington — OAS has reacted against it. So has Canada, within the organization, that has increasingly stronger economic relations with Cuba, and Mexico, in its own peculiar manner, and the EU of course.

The United States, as could only to be expected, protested and has said something hard to understand by terming the inter-American attitude a "diplomatic hypocrisy," probably referring to the fact that the

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respective resolution does not mention the law by its name nor does it criticize Castro's dictatorship.

Anyhow, as things stand, the situation once again revealed the extraterritorial tendency of some U.S. policies. Some time ago a U.S. Supreme Court ruling paved the way for U.S. agents abroad to kidnap people involved in cases affecting U.S. interests — the case of Mexico and drug trafficking — shortly afterwards it started "certifying" or not certifying the good conduct of third countries in their fight against drug trafficking, and now the mentioned law is applied against international trade in a comprehensive manner.

Undoubtedly, one must not forget the electoral process currently under way in the United States in which Clinton is trying to secure as many votes as possible — also including the most conservative and radical Republicans — to guarantee his reelection.

But it is especially sad that, due to the imposition of the mentioned law, a sort of pro-Castro international front is implicitly surfacing. Because of this law Castro currently appears to be a victim when in truth the situation is quite different. Aware of this fact, the new Spanish Government headed by Jose Maria Aznar has noted this difference, but in the end his observations are being ignored.

Bolivia: Commentary Notes Effect of Helms-Burton Law

PY1806172896 Cochabamba LOS TIEMPOS in Spanish 10 Jun 96 p A8

[Commentary by Samuel Mendoza: "Helms-Burton Law: A Double-Edged Sword"]

[FBIS Translated Text] The embargo (blockade) imposed by the United States on Cuba following the 1962 missiles crisis has served, ironically, to shore up Fidel Castro's dictatorial regime, because the bearded dictator has used it to justify the island's internal crisis, and above all, to convince the oppressed Cuban people that the United States is its worst enemy.

The United States has used, first, the embargo and now the Helms-Burton law to try to prevent the investment of U.S. and other foreign capital in Cuba, particularly in companies confiscated by the Castroist regime after taking power on 1 January 1959. It has done so to weaken and, obviously, eliminate the Communist regime from the island. A careful and passionless analysis of those measures, however, allows us to conclude that far from achieving the desired objective, those measures have served to strengthen Castro's grip on power.

Many Cubans in exile believe the United States must tighten its blockade of the island so the Cuban people, tired of the effects of the crisis, will finally decide to revolt and overthrow the dictatorship. But this is not happening. On the contrary, some Cubans living in Miami say the blockade and the Helms-Burton law have only strengthened the regime.

Castro used not to fear anything. After all, he had the unconditional support of the Soviet Union and all East European socialist (communist) nations. With $4 billion a year in Soviet subsidies, Castro had enough to keep his people happy and squander money in propaganda and brutal measures against civil liberties. After the fall of the Berlin Wall and the collapse of communism in the Soviet Union and its former European satellites, Castro found himself isolated. Everything seemed to indicate that his days, or hours, were numbered. Yet the tyrant found a way to stay in power, a way, ironically, provided by his worst enemy: the United States.

First the blockade and now the Helms-Burton law are weapons that Castro uses very skillfully. Without the Soviet subsidy the crisis deepened considerably on the island and popular discontent increased. Now Castro has a very good pretext and can blame all his troubles not only on the blockade, but also on the U.S. Helms-Burton law. The people, who are very isolated from the external world, believe him and come out into the streets to support the tyranny, although not very willingly, and to demonstrate against the "Yankee imperialism" that provokes hunger and misery in Cuba.

International analysts say Castro and his regime would fall within 48 hours without the blockade and the Helms-Burton law, because he would not have a pretext to justify the crisis afflicting Cubans.

Perhaps precisely because of it, the OAS Assembly came out against the Helms-Burton law during its 26th ordinary period of sessions in Panama, characterizing it as "contrary to international law" and pointing out that "international order is essentially based on respect for a state's personality, sovereignty, and independence and the fulfillment of obligations derived from treaties and other international instruments." The same occurred with the EU, whose representatives condemned this U.S. law, pointing out that "it is one thing is for the United States to have a determined policy against Cuba and something very different to make Europeans pay the consequences."

In sum: The Helms-Burton law promulgated by President Bill Clinton during a stroke of anger when Castro ordered the shooting down of two civilian planes and the killing of their civilian crews over the Caribbean is

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a double-edged sword that Castro is using well to his advantage.

Bolivia: Four Generals Involved in Failed Arms Purchase

PY1806195496 La Paz PRESENCIA in Spanish 8 Jun 96 p 7

[FBIS Translated Text] Defense Minister Jorge Otasevic said yesterday that four military officers signed the documents for the purchase of arms from Argentina. They are Generals Rolando Arzabe Clavel, Guido Sandoval, Augusto Sanchez Valle, and Jorge Moreira.

Otasevic explained that former Defense Under Secretary General Rolando Arzabe Clavel; former Army commander General Guido Sandoval; former Cofadena [Armed Forces National Development Corporation] manager General Augusto Sanchez Valle; and General Jorge Moreira, former Armed Forces commander in chief, signed the documents for the arms purchase.

The four military officers are being investigated by the Armed Forces Command in Chief office and the Defense Ministry. They will determine the degree of responsibility of each officer in the case.

"There are two investigations: the first is conducted by the office of the commander in chief, which has called the commanders of the time to look into the report; the second is being conducted by the Defense Ministry, which is taking the testimony of members of Cofadena and the Defense Ministry."

The minister did not rule out the possibility of the involvement of other people in the purchase of arms from Argentina worth $51.6 million.

The arms, which did not arrive in Bolivia because the deal apparently failed, was discovered following the publication of Carlos Menem's reserved decrees. One decree mentions Bolivia as a country that purchased arms. .

So far the investigations have determined the following:

a) Cofadena and the Argentine Military Industries company signed an agreement for the purchase of arms worth $51.6 million on 10 August 1990. The document was signed by General Augusto Sanchez Valle in representation of Bolivia.

b) The request for the purchase of the arms was made by the Army through then commander General Guido Sandoval.

c) The Final Use Certificate was signed by former Defense Under Secretary General Rolando Arzabe Clavel.

d) The arms did not arrive in Bolivia.

e) There was an attempt to finance the arms purchase with the sale of gas to Argentina.

f) The Jaime Paz Zamora administration was aware of the negotiations.

Bolivia: Internet Service Started in La Paz, Other Cities

PY1906005996 La Paz PRESENCIA in Spanish 8 Jun 96 p 9

[FBIS Translated Excerpt] Entel Inc. [National Telecommunications Enterprise] and the Bolnet company officially inaugurated the Internet Service during a special ceremony held on 7 June at the Radisson Hotel. Vice President Hugo Cardenas attended the ceremony. Internet began its operations on 1 June as was scheduled. Entel invested $500,000 in the installation of this service which covers the cities of La Paz, Santa Cruz, Cochabamba and Chuquisaca in its first stage. The Internet service is expected to be extended nationwide, except for Pando Department, by September 1996. [passage omitted]

Bolivia: Government 1996 Eradication Efforts Assessed

96GE0049A La Paz LA RAZON in Spanish 19 May 96 p 8

[FBIS Translated Text] On 16 May government anti-drug forces destroyed by fire more than one ton of drugs and more than 56,000 pounds of excess coca leaves. In the view of the government the bonfire symbolized the "success" of anti-drug efforts during the first four months of 1996. However, there is never any shortage of questions about this. Did the large quantity of drugs burned mean that the level of production of cocaine is increasing, despite the efforts to eradicate coca leaves? Two opposing views follow.

Victor Hugo Canelas, national secretary of social defense, says that the production of drugs is NOT increasing. He says that, "We are more efficient!"

Canelas is categorical in this respect. His arguments are based on three elements: a record figure of seizures of "precursor chemicals," the restructuring of the FELCN [Bolivian Special Antinarcotics Force], and the fight against corruption among the antinarcotics police.

The growing seizures of drugs and "precursor chemicals" in var ious areas of the country and, above all, in the Chapare area, can have only one of two explanations: either drug interdiction has become a priority matter for the government, leaving aside the production of narcotics, which has increased; or the activi ties of

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the antidrug forces have been diversified in every field with surprising effectiveness in view of the results.

To get an idea of the situation, it is enough to mention press reports on daily seizures of drugs and official figures issued by the National Secretariat of Social Defense, headed by Victor Hugo Canelas, which has frequently held press conferences to announce "successful operations" throughout the country.

In the first four months of 1996 alone 3.1 tons of drugs have been seized, whereas in the same period of 1995 2.9 tons of drugs were seized. According to official figures, in 1995 almost 10 tons of drugs were seized. In 1996 it is hoped to seize more than 12 tons of drugs and possibly much more than that.

Surprising Figures

Nevertheless, the most surprising figure relates to solid and liquid, "precursor chemicals." Between January and April 1996 9.9 tons of solid chemicals and almost 1,700 liters of liquid chemicals were seized in the Chapare area. This is the equiva lent of total seizures in the same, four month period of the four preceding years. It is a record.

The comment made by Canelas was categorical: "It is a fact. We do not believe that there is greater production" of drugs. His explanation is based on the fact that, according to existing projections, the potential for drug production does not vary. The productive capacity of drugs in the Chapare area is about 180 tons annually. Canelas is convinced that there is greater effec tiveness in all areas of the fight against the narcotics traffic.

Looking for a 'Certificate'?

Is growing drug interdiction part of a strategy of staying on good terms with the United States?

Canelas has replied: "No, this is a commitment made with all of humanity, including the Bolivian people, because a large part of the drugs produced in Bolivia remains in the country for domestic consumption."

In referring to the possibility that the narcotics traffic is broadening its horizons outside of the Chapare area, Canelas stated that this kind of activity, like any other kind of crimi nal behavior, moves around. However, the Chapare area is and will continue to be a major drug factory.

Key to 'Success'

Secretary Canelas has said: "A definite decision has been made by the Ministry of Government to carry on a frontal struggle against the narcotics traffic." This fight includes all areas where the narcotics traffic moves, from the production to the sales phase.

He explained that in this context, when a decision has been made to confront the drug traffic in a serious way, all of the machin ery of the antidrug forces begins to function. In his view the restructuring of the FELCN has served to neutralize the negative influence of the narcotics traffic.

Attacking Corruption

The struggle against the narcotics traffic also implies a strug gle against corruption within the antidrug police. Canelas said: "If this were not the case, we would not have the results which we are seeing daily."

To illustrate this important aspect of the fight against the drug traffic, Canelas stated that previously corruption went unpun ished. However, under the present administration more than 20 officers of the antinarcotics police have been arrested and tried under Law 1008.

However, not only has corruption made the work of the FELCN ineffective in the past. There were other factors, such as defects in the unity of command and in operational activity. There was no adequate budget, and the FELCN system of internal and external intelligence was very poor. Cases were not followed up. Persons arrested were not interrogated in depth.

The Difference

Canelas said: "The difference is that now, after a seizure, either small or large, clues are followed up. An investigation is made to determine who owns the coca leaves or who are the purchasing agents."

According to Canelas, also influential in the new dynamics of the antidrug police is the fact that a police officer commands this important unit, instead of a military officer. This is important because a police officer has close relations with the ordinary members and middle level officers of the police force.

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Weekly Table of Reduction of Area Planted to Surplus Coca In Hectares During First Four and Half Months of 1996

Month	Week 1	Week 2	Week 3	Week 4	Total
January	52	38	79	137	308
February	73	87	56	87	304
March	66	101	81	359	607
April	27	79	138	386	631
May	67	67	—	—	—
TOTAL	286	306	355	970	1,918

Note: Totals not fully consistent due to rounding

Total Drugs Seized in Kg, Jan-Apr 1993 to 1996

Month	1993	1994	1995	1996
January	184	556	1,042	601
February	1,085	942	407	637
March	259	741	741	826
April	690	539	779	1,075
TOTAL	2,220	2,779	2,971	3,141

Note: Totals not fully consistent due to rounding

Views of Deputy Sergio Medinacelli

In the view of Deputy Sergio Medinacelli, chairman of the Antinarcotics Committee of the Chamber of Deputies, the "successes" announced by the government are worthless. The deputy gives his figures.

According to Deputy Sergio Medinacelli, chairman of the Antinar cotics Committee of the Chamber of Deputies, the antidrugs policy of the present government has been a failure in many respects. This failure is expressed in a lack of control over the traffic in "precursor chemicals," in the impossibility thus far of achieving a net eradication in the area planted to coca leaves, and in the absence of control on the entry into Bolivia of money coming from the narcotics traffic.

According to data provided by the deputy, the annual productive capacity of cocaine is about 200 tons. Of this total about 10 percent, or 20 tons, goes for domestic consumption in Bolivia.

The remainder is exported illegally from the country and brings in about $190 million to the narcotics traffickers. Medinacelli said: "This total is equivalent to 18.4 percent of the total, annual, legal exports of Bolivia (about $1.1 billion)."

Cultivation of Coca

Regarding the cultivation of coca leaves, the opposition deputy pointed out that in 1993 new coca plantings exceeded eradication by about 1,700 hectares. In 1994 they exceeded eradication by about 900 hectares, and in 1995 they exceeded eradication by 500 hectares.

For example, in 1995 there was gross eradication of 5,493 hec tares of coca and 5,993 hectares in new plantings of coca. As a result, new plantings of coca exceeded gross eradication by 500 hectares.

The deputy said that it is estimated that in the Chapare area at the present time there are 33,700 hectares planted to coca. In the Yungas area there are 14,000 hectares, and in the Apolo area, 900 hectares, for a total of 48,600 hectares planted to coca.

In the opinion of the member of the National Congress it is not possible to speak of a positive picture in terms

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of net eradica tion of coca plantings because there is still a tendency toward new coca planting.

'Precursor Chemicals' and 'Narcodollars'

Regarding the traffic in "precursor chemicals," Medicinacelli said that the Antinarcotics Committee in the Chamber of Deputies has no official data. However, taking into account other data, it has been concluded that, "There is a total lack of control over 'precursor chemicals,' especially in the import of ammoniac and sulfuric acid.

To this should be added the fact that the government has not demonstrated that it is capable of carrying out strict control of the money which comes into the country from the illegal sales of the drug abroad, according to Medinacelli.

He was asked what the government should do. He said: "In the view of the Antinarcotics Committee, the government should apply as soon as possible a 'zero options' policy on the traffic in 'precursor chemicals,' it should exercise greater control of the 'narcodollars' [narcotics dollars] which enter the country, and should carry out greater control of the territory of the country, especially in the areas where coca is grown, using official land registers."

If increasing numbers of pits for the maceration of coca leaves are being discovered and destroyed and if a larger quantity of cocaine is being seized, this is because, paradoxically, the present antidrug policy of the government is not effective, Medina..li said.

Plantings and Eradication of Coca-1995

Gross Eradication	5,493 Hectares
New Plantings of Coca	5,993 Hectares
Eradication of Coca Nurseries	97,513 Square Meters
Net Eradication	-500 Hectares

Source: Antidrug Commission of Chamber of Deputies

He tares Planted to Coca in Bolivia

Chapare	33,700 Hectares
Yungas	14,000 Hectares
Apolo	900 Hectares

Production of Coca in Bolivia

Chapare	About 71,000 Metric Tons
Yungas	About 13,100 Metric Tons
Apolo	About 900 Metric Tons

Brazil

Brazil: Election Indicates Russia 'Ideologically Divided'

PY1906003596 Rio de Janeiro JORNAL DO BRASIL in Portuguese 18 Jun 96 p 8

[Editorial: "The Deciding Force"]

[FBIS Translated Text] The quick — electronic — release of the vote tally of the first round of the Russian elections has been instrumental in silencing those who, even before the vote count started, were already speaking of fraud allegedly designed to benefit the incumbent president, who controls the government machinery. The West may thus see that election returns can be released in Russia as fast as they are released in the United States — a fact that causes envy in countries like Brazil where, despite having a longer democratic tradition than Russia, an obsolete vote counting system is still used.

The voting figures, which indicate that Yeltsin is slightly ahead of Communist candidate Zyuganov, show that the country is ideologically divided into two halves — which is not a bad democratic formula: The final winner will be he who gets the largest number of votes. It should be noted, however, that the candidate who came in third is General Lebed, a nationalist advocate of "strong government," who will be the deciding force in the runoff. Lebed himself confirmed that there is a greater chance that he will support Yeltsin. Lebed could serve as defense minister during Yeltsin's second term in office, or he may even become vice president, an office which would be created especially for him.

In light of Yeltsin's ailing heart and of his frequent drinking excesses — which have been shown to the world through television, the office of vice president emerges as the most attractive post in Russia today. Would this be Lebed's future — "a hardline officer who would be capable of restoring order?" These are just political occurrences, but it will be these occurrences that will shape the future of the reforms that started in Russia four years ago.

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Brazil: Russian Electoral Outcome Seen as Reform 'Threat'

PY1906030396 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 Jun 96 p A3

[Editorial from the "Notes and Information" page: "A Threat to Reforms"]

[FBIS Translated Text] The outcome of the Russian presidential election has confirmed the people's disenchantment with the reforms implemented by the Boris Yeltsin administration. Yeltsin, and reformists Grigoriy Yavlinskiy and Svyatoslav Fedorov (a milder reformist) have all together obtained nearly 43 percent of the votes. In other words, more than half of the people voted for candidates who either condemn the reforms, or at least do not defend them. Most Russian voters have to some extent expressed their opposition to the way President Boris Yeltsin implemented the reforms. This election became a plebiscite for the reforms because the people's living conditions have been at the center of the electoral debates.

No one should conclude from the electoral outcome that the Russians have rejected the universally known capitalist principles because of a very simple reason: The reforms have been implemented only partially, thus allowing the maintenance of structures inherited from the old system, which entailed the preservation and creation of mechanisms that are in flagrant violation of the market laws, starting with equal opportunities and openness in business deals. In the privatization process, Yeltsin favored a group that supports his administration, thus giving way to the creation of "turfs" within the main economic areas.

Old Communist Party members who were fast enough to become reformists during the process of disintegration of the USSR lent their support to the Yeltsin administration in exchange for being allowed to take control of the most attractive businesses. Thus, as private initiative came into being in Russia it already engaged in a promiscuous relationship with the government, thus paving the way for rampant corruption. To this system geared toward granting favors, we must add a cruel tax collection system. Free from any form of government auditing, major businessmen pay only as much tax as they want to, while wage earners have their tax deducted from their paychecks. The Soviet state was not replaced by a well-structured Russian state and, consequently, crime soared and the social protection, health, and educational systems collapsed.

Under these circumstances, it is not strange for most Russians to identify the reforms and the only "market economy" they know with injustice and hardships. From there to wishing to return to the only other order they know there is only one step. The prevailing mood is also one conducive to peculiar ideas, theories about conspiracies, and appeals to national pride to protect the fatherland from alleged domestic and foreign threats.

In his foreign policy, President Yeltsin has tried to respond to those wishes in an effort to distance himself from the USSR disintegration process, in which he played a key role, and which ultimately resulted in a smaller, weaker Russia. Moscow has exercised its hegemony and its de facto veto power to stop moves by Ukraine and by other former Soviet satellites to get closer to the West, and it seeks to regroup the former Soviet republics within the Russian orbit. Russia has openly intervened in Chechnya and in other republics of the Russian Federation, as well as the Commonwealth of Independent States, to make Russian interests prevail.

As former U.S. Secretary of State Henry Kissinger said in an article published by O ESTADO on 16 June, the Russian president is benefiting from distorted evaluations made by the United States, which is the only power that could counterbalance the Russian power, because Moscow has made it a point to strengthen its ties with Beijing. President Bill Clinton has sacrificed geopolitical interests to back Yeltsin and his reforms, by giving him a blank check for his foreign policy. The fact is that Yeltsin is not even the democrat the West wished him to be. He did not hesitate in silencing the parliament and the Constitutional Tribunal, thus overpowering the other branches of government.

The end result is a defective democracy, an unfair economy, an isolated Russia, and the tangible risk of the Communists returning to power in July.

Brazil: Australia's Fischer Criticizes U.S., EU Subsidies

PY1806130896 Sao Paulo GAZETA MERCANTIL in Portuguese 11 Jun 96 p A4

[Report by Maria Helena Tachinardi in Brasilia]

[FBIS Translated Text] Brazil and Australia yesterday agreed it would be premature to launch another round of trade negotiations within the World Trade Organization (WTO) and criticized the United States, Japan, and the EU over the lack of progress to reduce agricultural subsidies and trade tariffs to conform to commitments they assumed at the Uruguay Round of the now defunct GATT.

Tim Fischer, Australian deputy prime minister and minister for trade, said: "We must seek to prevent the

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use of protectionist barriers, like quarantine (a health-related requirement), as a way to preclude imports from certain countries."

Brazil and Australia are members of the Cairns Group (which comprises 14 countries), which accounts for 20 percent of the world's agricultural exports. Following the conclusion of the Uruguay Round early in 1994, the Cairns Group criticized the difficulties its products face in the U.S., Japanese, and EU markets. A press release by Fischer's office states: "Despite the promises at the Uruguay Round, world's agricultural trade remains highly distorted and protected."

For instance, Brazil has complained about high U.S. tariffs on Brazilian orange juice, and similar restrictions on Brazilian tobacco. Brazilian sugar, textiles, and frozen chicken also face problems entering the U.S. market. One Brazilian Agriculture Ministry source says: "Europe also has a high average tariff for agricultural products, and Japan offers no easy access."

The Cairns Group is scheduled to meet on 13-14 June in Cartagena (Colombia) to prepare for the first WTO ministerial meeting to be held in Singapore by mid-December and for the scheduled revision in 1999 of the agricultural agreement signed during the Uruguay Round. The agreement provides for cuts in subsidies on domestic production and exports, reductions of tariffs, and policies geared toward agricultural development. Brazil and Australia seek to expedite the implementation of these measures.

In addition to discussing the strategies of the two countries within the Cairns Group (Brazil will be represented by Ailton Barcelos Fernandes, executive secretary of the Agriculture Ministry), Fischer asked Brazil to eliminate a 25-percent freight surcharge imposed by the Brazilian Merchant Marine because it jeopardizes Australian exports to Brazil, primarily because the surcharge affects long-distance shipping. Fischer said the Brazilian Government "will revise the additional charge in 1997." Brazilian-Australian trade totals approximately $645 million.

Fischer announced that as of 1 July, Australia will reduce import tariffs on all products — with the exception of textiles, sugar, and automobiles — from 8 to 5 percent. He said: "We are complying with our Uruguay Round commitments." Fischer said tariff reductions will be instrumental in increasing Brazilian orange juice exports to the Australian market.

A government source says Brazil, which consolidated its import tariffs within the WTO at a maximum of 35 and 55 percent for some agricultural products, has in fact much lower tariffs.

During his talks with Mines and Energy Minister Raimundo Brito and with Itamaraty [Brazilian Foreign Ministry headquarters] Secretary General Sebastiao do Rego Barros, Fischer requested that the Australian firm BHP, which is specialized in building oil and gas pipelines, be invited to take part in the bid for the construction of the Brazilian-Bolivian gas pipelines.

Brazil: U.S. Political Constraints on Colombia Criticized

PY1806173196 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 15 Jun 96 p A3

[Editorial from the "Notes and Information" Page: "The Drama of Colombia"]

[FBIS Translated Text] Colombian President Ernesto Samper has survived two investigations by the Chamber of Deputies. During the first investigation, there could have even been doubts because it was stopped by an agreement between the members of a commission. The second investigation reached the Chamber floor, which is the level that decides on the validity of the charges filed against the president. The majority decided to shelve the charges. The fact that the Liberal Party — the president's party — has a majority in Congress cannot be considered a reason to invalidate the legitimacy of the decision. Considering the fate of the president — and therefore of the government and of the country — is an eminently political decision, and it is natural for the decision to be made by the democratically elected representatives of the people.

If objections raised within Colombia over the legitimacy of this decision are unjustified, those coming from a foreign government are nasty and offensive. Spokesmen for the U.S. Government and directors of the Drug Enforcement Agency, who already expressed doubts over the validity of the process, threatened to impose sanctions on Colombia once the results of the process were known. Such flagrant meddling in the domestic affairs of a nation is universally undesirable. In this case, aggravating circumstances have made it particularly petulant.

Ever since his election, President Samper has shown a commitment — unprecedented in Colombia — to the fight against trafficking. Charges that he knowingly accepted trafficking money for his electoral campaign hit the news to such an extent that they almost erased the fact that it was Samper's government which dismantled the Cali cartel, which once was the largest trafficking organization. In his speech after he was acquitted, the president showed a sense of balance and calm, recalling that organized crime has for decades saturated

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Colombian society, and that politics could not be free from this contamination.

The president once again said he was willing to end that erosive influence, submitting to Congress a package of bills to strengthen drug enforcement instruments, increase penalties, reduce legal benefits, and shorten trials. He thus did his share, leaving it up to Congress to debate and vote on the new laws as soon as possible.

Colombia is not just about drug trafficking. It is an emerging economy and a major South American country. Bogota maintains excellent relations all over the region, even with Venezuela, in spite of an old border dispute. Washington's hostility and bad will for Colombia are unreasonable.

On the U.S. side, the insinuations, accusations, and current threats are a sad testimony to how bilateral relations are being conducted. It would be a very bad criteria to base U.S. foreign policy on preferences and beliefs — which are not backed by public testimonies — of DEA agents. It would be better if the State Department — rather than the Drug Enforcement Agency — conducted relations between the United States and other countries, even those deeply involved with the problem of drug trafficking.

For Latin America, the retaliatory position by U.S. Government members is a bad harbinger. The continent burns with such impulses. Colombia is going through a difficult period. It is making all efforts to consolidate its democracy and has thus far resorted to institutional means to withstand the serious guerrilla and drug crisis. It would be harmful for the country to be subjected to political or economic constraints from its main commercial partner, which is the leader in the hemisphere. It is time for President Bill Clinton to exercise patience and prudence, no matter how strong the temptation — in the heat of the presidential race — to turn charges against President Samper into the main argument of the drug-enforcement debate in the United States.

Brazil: French Firms Prepare for Opening of Telecom Market

BR1806105496 Paris LES ECHOS in French 17 Jun 96 p 12

[Report by Yves Bergougnoux: "French Groups Prepare for Opening Up of Brazilian Market"]

[FBIS Translated Text] Rio de Janeiro — Organized for the second time by the International Telecommunications Union [ITU], Americas Telecom, which ended this weekend, focused this year on deregulation in Latin America. Brazilian President Cardoso and his Communications Minister Sergio Motta last week reaffirmed their intention to privatize the whole of the Brazilian telecoms industry by 1999.

With just 11.6 installed lines per 100 inhabitants as opposed to 20.4 in Argentina and more than 50 in France, this country's need in terms of infrastructure is enormous. However, the deregulation process has only just begun: The industrial policy for the telecoms industry is still being drawn up and a number of laws laying down the new operating rules still have to be voted on in Congress. As they await the initial calls for tender for cellular networks, French groups are seeking to bolster what remains a meager market share. Alcatel Alsthom, through its Telecom and Cable subsidiaries, already has a foothold in most Latin American countries. In Rio CEO Serge Tchuruk announced investments totaling 1.04 billion French francs [Fr] this year for its Brazilian division which was in the red for 1995. In partnership with Sofremi, Alcatel last week renewed a contract worth Fr72 million for equipping the Rio police force with mobile radios. Two further contracts were signed in Ecuador and Costa Rica for "intelligent networks" at a cost of around Fr104 million.

France Telecom, which has been operating in Argentina and Mexico since 1990, has announced that its joint subsidiary with Deutsche Telekom and Sprint — Global One — plans to invest Fr52 million in Brazil in 1996 to build its own network infrastructure for Internet access suppliers in Sao Paulo, Rio, and Brasilia.

For its part, Matra Marconi Space [MMS] and Aerospatiale are both aiming to launch geostationary satellites. In Brazil MMS is one of the partners of Globo in the Class consortium which has been pending official authorization since the end of 1993. Embratel, the Brazilian public operator, is currently holding talks with Matra for a Navy contract worth Fr54 million, and a cooperation agreement is also being sought with the Brazilian Space Research Institute. Together with the German company Dasa, Aerospatiale will be launching the first private Argentine satellite before the end of the year: Nahuelsat's footprint could also cover Brazil. The French manufacturer is also in the running for one of the two orbital positions this country is claiming off the ITU. The launch plus the ground relay station will represent a total investment of Fr1.3 billion.

The world's top three smart card manufacturers (GEM Plus, Schlumberger, and Solaic) are also already based in Latin America. With a national solution having been chosen for public telephony in Brazil, they are firstly aiming at developing applications in the banking industry and in the public transport and catering industry.

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Brazil: Reelection Bid Said To Keep PFL, PSDB Together

PY1806021696 Sao Paulo GAZETA MERCANTIL in Portuguese 10 Jun 96 p A10

[Article by Maria Ines Nassif in Sao Paulo]

[FBIS Translated Text] PFL [Liberal Front Party] President Jorge Bornhausen's departure from the political scenario — he will now head the Brazilian Embassy in Lisbon — is strategic. Since the presidential campaign, he has been acting as the "watchdog" of the PFL-PSDB [Brazilian Social Democracy Party] alliance. The PFL is convinced that the alliance is really with President Fernando Henrique Cardoso and not with the PSDB. As a result, the party will only preserve the alliance if the reelection amendment is approved. The chances of seeing this amendment approved, however, are becoming increasingly more remote. "It is not a matter of being pessimistic, it is pure arithmetics," a PFL source said.

If the reelection amendment is not approved, the PFL is expected to strategically withdraw from the administration before July 1997. This would prepare the party for the second half of the match, i.e. the 1998 elections, but already acting apart from the PSDB. Until then, Bornhausen will be left out of the shooting and be thus saved to perform later on the role he has always been performing within the PFL, that of articulator of new alliances. He will only return when the solution is definitively outlined. Cardoso is the PFL's preferential option for 1998. Nevertheless, as there are still strong possibilities that Cardoso will not dispute the elections, the party is now trying to keep the other doors open. "The decision the Sao Paulo board of the PFL made of creating a coalition with the PPB [Brazilian Progressive Party] has not been an accidental decision. Paulo Maluf can be an alternative," a PFL source confided. Until then, the party will try to increase its importance and influence by seeking to obtain a good performance in the October municipal elections, will again support a victorious candidate in 1998 and, only then, begin designing a project to obtain power. There are still some obstacles to overcome in order to start commanding its own project. The first one is to create more political space for the party, particularly in the southeastern region, where the PFL is still very weak; and the second one is to incorporate into the party strong, attractive political names to head a possible ticket for the presidential elections. There is some hope that the alliance with Maluf in Sao Paulo will strengthen the party organization in that state, which has always been faulty. Another hope is that the controversial Rio de Janeiro mayor, Cesar Maia, succeeds in giving a push to the PFL in the city.

The most complicated issue, however, is the lack of names. The PFL dreamed of having Parana Governor Jaime Lerner as a candidate already in 1998 in case of any eventuality. Just recently, Bornhausen and Lerner had their latest talk, but the governor insisted that he feels more at ease as a member of the left.

The PFL leaders, however, think that the second alternative "is not ready" for 1998 yet. It would be to have Chamber of Deputies President Luis Eduardo Magalhaes, a congressman, as the party's presidential candidate. Magalhaes, however, still has to take the "entrance examination" represented by disputing a state governorship and this will probably take place in 1998. Therefore, his name will be kept as a trump card for the 2002 presidential elections.

Brazil: Discussion of Health Tax Affects PFL-PSDB Alliance

PY1706191696 Sao Paulo AGENCIA ESTADO in Portuguese 2316 GMT 13 Jun 96

[FBIS Translated Text] Brasilia, 13 Jun (AE) — Discussions on the tax to raise funds for the health sector are causing a division and unbalancing the PFL-PSDB [Liberal Front Party-Brazilian Social Democracy Party] alliance that helped elect President Fernando Henrique Cardoso. This serves to demonstrate the deep differences between the political platforms of the so-called government support base in Congress.

Not even Chamber of Deputies President Luis Eduardo Magalhaes (PFL-BA) [Bahia] — whom Cardoso admires and respects — is convinced of the need to approve the CPMF [Provisional Contribution on Financial Operations] to save the health sector. He said: "I do not understand why the government insists on this step." He complained on 11 June to a group of businessmen: "Even government ministers reject the new tax." The explanation is that the rejection of new taxes is a ritual matter for the PFL.

The CPMF represents a greater dilemma for Deputy Benito Gama (PFL-BA), government leader in the lower house, who is one of the PFL leaders responsible for the resistance to the creation of the CPMF. In his new position as government leader in the lower house, he cannot, for ethical principles, speak against the CPMF. "What a situation, right?" he said. To prevent greater friction, Inocencio de Oliveira (Pernambuco) — PFL leader in the lower house — reported that Planalto Palace has freed Benito Gama. Clearly uncomfortable, he said: "I, who worked to convince the PFL to oppose the CPMF, will now have to work for its approval."

This, however, is not the first time the interests of the PFL and Planalto Palace have clashed. The PFL

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wants a radical privatization of public companies and does not accept restrictions on the entrance of foreign capital either in the public or the private sectors. This disagreement is evident in congressional discussions over the regulations to open the cellular telephone service. Hugo Napoleao (Piaui), PFL leader in the Senate, will oppose the project of Communications Minister Sergio Motta (PSDB) who wants to establish a market reserve over the next three years for companies controlled by national capital.

Brazil: President Attends Dedication of Direct TV System

PY1706125996 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 14 Jun 96

[Passages within quotation marks indicate recorded remarks by President Cardoso]

[FBIS Translated Text] President Fernando Henrique Cardoso today participated in the dedication of a satellite transmission center of TVA [direct TV] television system in Sao Paulo. In his speech, President Cardoso said that Brazil is preparing for the economic globalization of the next century.

"If we do not adopt the measures we are currently adopting on a timely basis, what is going to happen in the next century? I believe in bets. I say we are going to have four essential economic centers in the next century: The EU — not Europe, but the EU; the United States, which has associated into the NAFTA; Japan, a small portion of China, and Southeast Asia; and South America. By South America I mean the Mercosur [Common Market of the South], Brazil, the extension of Mercosur which includes Chile, and Venezuela. These will be the great performers of the next century. We are preparing ourselves for this competition. The changes we are introducing are meant to help Brazil precisely for this."

According to Cardoso, Brazil is receiving more foreign investments this year, and the result is the increase of the employment rate.

"The best thing to do is to improve the people's standard of living. The best thing is really to create more jobs. Those who predict catastrophes should not deceive themselves. Figures have already indicated an increase of the employment rate.

"All that is necessary is to invest further. This year we will receive not less than $6 billion in foreign investments. Last year we received $3 billion. The year before last we received $900 million. It is a matter of looking to the future to see what happens."

Following the ceremony, the president granted a news conference. President Cardoso said that all sectors of society should work for the development of Brazil.

"My trips abroad are meant to bring investments to Brazil, to bring technology, to open markets for us. We are really dedicated to improving Brazil through these reforms. We must maintain an atmosphere not of hollow optimism but of work, awareness. We must work hard. Things do not come readily; we must work hard. We must work in favor of Brazil. If we do not make an effort, nothing will happen. If we do not work hard, the result will only be complaints without solving any problems. We must solve our problems, and we cannot solve everything at once because it is not possible. Brazil was very confused, without an orientation. Our administration was disorganized. We needed to replace the education and health services for more appropriate ones. Much must still be done. We certainly need the reforms, but they are not enough. We need everyone to make an effort."

Brazil: Rural Bloc Bargains With Reelection Amendment

96SM0366A Sao Paulo FOLHA DE SAO PAULO in Portuguese 11 Jun 96 p 1

[Article by Jose Roberto de Toledo: "Ruralists Now Try Bargaining With Reelection" — received via Internet]

[FBIS Translated Text] **"Agrodeputies" threaten to defeat an amendment supported by FHC [Fernando Henrique Cardoso].**

The ruralists have found one more way to put pressure on Fernando Henrique Cardoso. One of their leaders, Nelson Marquezelli (PTB [Brazilian Labor Party], Sao Paulo), is trying to hasten a vote on the reelection amendment and then defeat it in the Chamber of Deputies.

If the deputy's plan succeeds, the president will not be able to run for reelection when his term ends in 1998.

The ruralist has already obtained 210 signatures on a petition for an extremely urgent vote on the bill by Deputy Mendonca Filho (PFL [Liberal Front Party], Pernambuco). If approved in plenary session, the petition would cause the reelection amendment to be voted on as early as August.

But the maneuver is controversial in terms of house rules. Pro-government and opposition deputies alike say that the urgency provision does not apply to constitutional amendments and that Marquezelli's petition is therefore not valid.

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"The reelection amendment will only be able to advance to the plenary session after getting through the special committee phase," says Michel Temer of Sao Paulo, leader of the PMDB [Brazilian Democratic Movement Party]. "The administration is not going to want that now or in that way," he adds.

'Crazy'

Jose Genoino (PT [Workers Party], Sao Paulo), regarded as an expert on house rules, is more vehement: "That is crazy; it is not serious. It is a political position adopted for the purpose of bargaining with the administration." Anticipating criticism, the father of the idea denies that the action is a concerted move by the ruralist bloc. "It reflects my personal conviction. We cannot allow the reelection issue to remain up in the air; the country has to decide," he says.

"The amendment is subject to a special procedure; the timetable cannot be shortened. Otherwise the administration would allege urgency for all the reforms it wanted. That would be the end of the Constitution," Genoino retorts.

Temer recognizes that despite the impediment, the petition is going to cause an uproar in Congress. Marquezelli says that most of the signatures he obtained were those of deputies in the PMDB and the PPB [Brazilian People's Party]. The PTB member advances two arguments in support of the need to vote on reelection before this year is out. He says the voters have a right to know before October whether their mayoral candidates will be able to run for reelection. Moreover, he says, if the vote on reelection is delayed until 1997, 5,000 mayors will be lobbying Congress to approve that amendment next year.

And that, in fact, is the crucial point: the administration wants to delay the vote because it feels that with the help of the new mayors, it will have a better chance of getting the amendment passed in 1997. The opposition wants a vote now in order to wreck the amendment.

Luis Eduardo

The decision will be left up to the speaker of the Chamber of Deputies, Luis Eduardo Magalhaes (PFL, Bahia). He may reject the petition on the basis of a legal opinion or bring it up for a vote. Its approval would require 257 votes. Meantime, the ruralist bloc will have one more ace up its sleeve for negotiating with FHC.

Brazil: Lopes Views Growth, Economics, Interest Rates

*96SM0366B Sao Paulo FOLHA DE SAO PAULO in Portuguese 2 Jun 96 p 1 **

[Article by Celso Pinto: "Chico Lopes Advocates Containing Growth" — received via Internet]

[FBIS Translated Text] **A director at the BC [Central Bank] says that a brake on the economy—the price of combating inflation—is "almost a free lunch."**

A stabilization plan like the Real Plan increases the country's external dependence, leads to a higher exchange rate, involves the risk of a crisis if the inflow of capital dries up, and carries a cost in terms of industrial adjustment and higher unemployment.

Even so, it is better than the alternatives. And it should maintain average economic growth of around 4 percent per year, "which is almost a free lunch" in terms of the cost of eliminating extremely high chronic inflation. That analysis is by economist Francisco Lopes, director of monetary policy at the Central Bank, and it was explained during a two and a half hour interview in Brasilia in which he frankly discussed the reasons why he is optimistic despite the challenges posed by the plan.

Lopes, 50, is a key figure in the small group of government economists who, in President Fernando Henrique's opinion, are capable of leading him to political success through economic success. Jose Serra's departure from the Ministry of Planning has made that group's convictions even more influential. It is indeed necessary to control the pace of economic growth to prevent the emergence of a crisis in the external accounts. "A plan like this one dies when it suffers an attack by foreign exchange," Lopes says, referring to the possibility of a wave of foreign speculation that would lead to a currency devaluation as occurred in Mexico in 1994. Lopes admits that last year he looked into the possibility of accelerating the devaluation of the real. His projections made it clear that at least half of the exchange adjustment would simply turn into more inflation. To achieve an effective adjustment of 10 percent, the government would end up increasing inflation by 20 percent. And that, in his opinion, would eventually bring back indexation and resurrect high inflation.

Unlike the critics, however, he feels that it is possible to reconcile what seems irreconcilable: growth of from 4 to 5 percent next year without an external crisis caused by pressure from imports. He even accepts the possibility of a trade balance deficit of $1 billion or more, but he does not see any great problem in that.

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Lopes admits that there is a degree of external risk that is difficult to foresee. The important thing in that connection is for the government to be ready to react. What he means by that is that if an undesirable surprise occurs in the external accounts, the government will be ready to counterattack by raising interest rates.

The potential risks explain why the government is being cautious and gradual in loosening its reins on the economy. There is a also a problem of political and economic timing. According to Lopes, stabilization in Brazil will not be consolidated until two challenges, one economic and the other political, have been met. The economic challenge is a convergence of increases in the price of products subject to foreign competition ("tradables") and internal prices, usually meaning services ("nontradables").

Competition from imports and foreign exchange controls help to control industrial prices (measured by the IPA [Wholesale Price Index]), but services not faced with competition (everything from rent to medical care (measured by the IPC [Consumer Price Index]) are continuing to rise much more. Only when those two prices begin progressing together at very low levels can it be said that inflation is under control and that foreign exchange is safe from becoming overvalued. Today, the IPC is still rising twice as fast as the IPA. The second crucial test is political. Not until a new administration takes office and retains the stabilization principles intact will it be clear that stabilization has won (as happened in Chile in the transition from military to civilian government). For that reason, it is vital to reach 1998 with the economy showing good figures and being under control. That will be the "year of the expectations test," as Lopes puts it, when the uncertainties of the presidential election will lead the market to test the solidity of the plan.

Basically, what Lopes plus a group of economists at the Central Bank and in the Ministry of Finance are selling the president is the idea that the economy is going to help him, both next year and in 1998, to achieve success in the presidential race. Or in his reelection, which is undoubtedly what the president would prefer. The main points in the analysis by Chico Lopes, arranged by topic, are as follows:

Interest Rates and Banks

Calibrating the economy is, Chico Lopes admits, more an art than a science. But at least as far as the Central Bank is concerned, what has been done to date in terms of reducing interest rates has put the economy, roughly speaking, on the desirable track. If anything more is done, the effect will be marginal.

Lopes feels that the economy will grow by from 2.5 to 3 percent this year. In the final few months, however, it will running at a much faster pace: between 4 and 5 percent. Since that is the maximum rate desired for 1997, there is no intention of making many more adjustments to the monetary-tuning pegs.

There is a lag between a decision to reduce interest rates and taxes on credit, a decision that was recently made, and that decision's full impact in terms of growth. Lopes is convinced that the bottom of the well has been reached and that we are now slowly taking off again. But the BC is continuing to collect a compulsory 85 percent of the demand deposits received by banks and 20 percent of their term and savings deposits, thus creating a "fiscal wedge" that increases the cost of money lent to firms and individuals.

Lopes has a rather personal theory about that. He feels that although high, the so-called compulsory deposits based on demand deposits and term deposits are not having much effect on the final cost of loans today.

The banks, he says, are very selective and reluctant to grant loans. The percentage of their term deposits which they are currently obligated to deposit with the BC, and which earn them the same interest as that paid on government securities, would not be paid out in loans if it were restored to them. The banks would probably take the money and invest it in federal securities, thus replicating what is happening with the compulsory deposit. But if that is the case, why not eliminate the compulsory deposit? Caution. If the situation changes, term deposits may become springboards for a rise in loans and economic expansion—which, if excessive, will be undesirable. In the case of demand deposits, the argument is more complicated and certainly much more controversial. Lopes says that the cost of loans today is based on the basic cost incurred by banks in attracting money on the interbank market through CDI's [Interbank Credit Certificates] plus a degree of profit margin (the spread).

Given the high default rate and the reluctance of the banks, the cost of loans ends up being based on the rates that investment banks (which do not accept demand deposits) charge their weakest customers. His theory is that the big commercial banks, which can attract demand deposits at zero cost with or without the compulsory deposit at the BC, would end up charging something similar to the rest of the system's cost for their loans. If that is true, reducing the compulsory deposit on demand deposits would serve only to increase the spread—the margin of profit for the big banks—rather than help the end borrower. That margin of profit today is being appropriated by the BC.

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His theory is debatable on several points (it assumes, for example, that the big banks would not try to increase their market share by lowering the cost of loans). In any case, it illustrates the reasons for the BC's reluctance to dismantle the fiscal wedge that exists today. As far as Lopes is concerned, the only real fiscal wedge is that represented by the taxes on financial operations that are collected on various kinds of loans.

Adjustment Costs

Chico Lopes argues that ending inflation of the kind that Brazil had is not painless. "It is like a war—one does not control the process: the important thing is to win," he says. He considers it inevitable that there will be an exchange revaluation. The only countries where that did not happen were those which experienced obvious situations of hyperinflation. In those cases, when inflation ends, the exchange rate is devalued (because of the prior search for a strong currency), the economy is de-indexed, and fiscal gains are easier.

Since Brazil did not reach the extreme of hyperinflation, the exchange rate, used as an anchor, has ended by being revalued. A fight was necessary to eliminate inflation. And the opposite effect was seen in the fiscal area: as a result of the adjustment, a certain "fiscal inertia" reflected in higher spending occurred: expenditures were not eroded by high inflation as before, and they therefore caused fiscal pressure.

Even so, Lopes insists that in terms of growth, the cost has been small in Brazil's case. The reason why the critics are so vehement is that there was and continues to be "a very unequal distribution of the costs." Besides stabilization, there was the opening-up to the outside world and the cooling of the economy. All of that generates tremendous changes in relative prices—and those who lose squeal.

The only thing that the government must not do, according to Lopes, is give in. "Changing macroeconomic policy to compensate for the unequal distribution of costs would be a serious mistake," he warns. Another inevitable cost is higher unemployment. It has occurred in every country experiencing a stabilization like Brazil's. The employment situation has only now begun to improve in Israel, which began its adjustment in 1985.

In short, his opinion is that the government must brave the costs and pressures and press ahead.

External Vulnerability

Chico Lopes does not deny that the Real Plan is creating more vulnerability in the external area. He feels, however, that it is manageable.

One crucial doubt has to do with how much imports would increase if the country again started growing at more decent rates. If the jump in imports generated a very large deficit in the external accounts, the need for dollars might increase too much and endanger the adjustment.

Lopes admits that there is an "empirical test" to be applied in relation to the exchange rate necessary for keeping the external accounts in balance. But he says that the cooling-off that has occurred since last year has made more room available for imports.

His argument: by making the economy secure and containing imports, the government has shifted the import curve downward. A resumption of purchases abroad as a result of faster growth would therefore occur on a smaller base. With the advantage that exports are continuing to rise by 11 percent per year.

Even so, if there is an external problem that gets out of control and affects financing, the important thing will be the speed of our response. That explains the need to be ready to raise interest rates if necessary. And to maintain a high level of reserves. Lopes' other main argument concerns the size of the external deficit. It is usually said that the country cannot have a deficit on current account (commercial accounts plus payments for services) of more than 2.5 or 3 percent of GDP [gross domestic product] without raising doubts on the part of investors. Lopes argues that the important thing should be another measure once used in Brazil but now abandoned: that of the "hiatus in funds." This consists of the foreign funds requirement (determined by the deficit on current account) less the inflow of direct investments, which are more stable long-term funds.

Since Brazil is expecting a record inflow of $7 billion in direct investments this year, the "hiatus in funds" will be much less than the deficit on current account. In other words, it is part of the logic behind the model that there should be deficits on current account as a means of absorbing external savings. If direct investments are steady, everything is fine.

Fiscal Burden

Ten out of 10 economists complain of the lack of an appropriate fiscal adjustment on the part of the government. Chico Lopes agrees, but with important reservations.

One argument, advanced by monetarist economists to support the importance of a fiscal adjustment, concerns its impact on "expectations between storms." The assumption is that the economic agents, based on their

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perception that the public sector is headed for fiscal imbalance, anticipate inflationary pressure and therefore raise their prices in advance.

Lopes does not buy that argument. He considers fiscal adjustment important, but does not feel that it can replace other instruments of economic policy. He points out, for example, that in 1994 Brazil generated a huge primary surplus (5 percent of GDP) in its public accounts (revenues less expenditures, excluding interest).

It would be difficult to repeat a figure like that and, in Lopes' opinion, unnecessary to do so. He feels that the public accounts are headed for improvement this year and that the ideal in the future may be a nominal deficit of about 3 percent of GDP.

The important thing, he says, is to prevent the government's net debt from rising in relation to GDP. Provided that there is a reasonable growth rate, it is also possible to have a degree of deficit that does not arouse fears.

Several economists are worried about the direction being taken by the government's net debt, the speed at which it is rising, its cost, and its makeup. Lopes insists that the debt is still relatively small in relation to GDP (32.7 percent). And not by accident: since the government lacked credibility, he says, it was not able to increase its debt. Now that it has restored confidence, it has room in which to use it less parsimoniously.

Chile

Chile: UK's Decision Not To Block Accord With EU Hailed

PY1906001196 Santiago EL MERCURIO in Spanish 18 Jun 96 pp A1, A2

[FBIS Translated Text] In what is deemed as a remarkable political gesture, the UK Government has decided not to veto the new framework agreement on EU-Chile Cooperation. This announcement was made by Malcolm Rifkind, UK Secretary of State for Foreign and Commonwealth Affairs, to his EU counterparts in Rome on 17 June. The framework agreement between Chile and the EU will, therefore, be signed in Florence on 21 June by Chilean President Eduardo Frei Ruiz-Tagle and the heads of state and government of the 15 EU nations.

Britain will uphold its resolution today when the EU Council of Ministers approves the accord with Chile. This means that the UK Government headed by John Major will this time make an exception of its resolve to use its veto to block all those decisions by the EU that must be accepted with unanimous approval.

Britain's decision attests to the success of last week's diplomatic offensive spearheaded by Foreign Minister Jose Miguel Insulza and seconded by Foreign Ministry Under Secretary Mariano Fernandez and all the Chilean ambassadors accredited to the 15 European states making up the EU.

A telephone call Insulza made to his British counterpart Rifkind on the early hours of 13 June was the key to bringing Britain around to accepting not to exercise the right of veto to block all international accords to be signed by the EU while the latter fails to offer a satisfactory solution to the embargo it imposed on Britain's beef exports.

The news that Britain will not thwart the accord between Chile and the EU had no sooner reached our authorities' ears than they expressed their satisfaction at having overcome a hurdle that at times seemed insurmountable.

During Insulza's talk with the UK foreign secretary, the former said that the Chilean Government was well aware of the problem confronting Britain and conveyed to his interlocutor that the accord between the EU and Chile could perfectly be signed at a later date. Insulza nonetheless said that the central thing was President Frei's scheduled trip to Florence on the occasion of the signing ceremony rather than a possible postponement of the signature of the accord.

The UK foreign secretary understood what the Chilean position was and following the telephone conversation, Britain began to make its stance more flexible.

The personal steps taken by Under Secretary Fernandez before the Swedish authorities during his visit to Sweden last week and before representatives of the French executive branch during his subsequent trip to Paris to try to obtain as much support as possible from the EU nations to expound to the British Government the reasons why it should refrain from vetoing the accord between Chile and the EU were also crucial to make Britain reconsider its decision.

Moreover, on 14 June, all the Chilean ambassadors to EU member countries were instructed to go to the respective Foreign Ministries to try to enlist the support of their governments.

The two arguments that were advanced in this diplomatic offensive were that:

1) It was the EU itself and the representatives of the 15 governments that announced that the framework agreement with Chile was going to be signed during the European Council meeting in Florence, Italy, slated for 21-22 June and therefore they should make themselves personally responsible for their announcements; and

2) Despite its steadfast resolution, Britain had made three exceptions of its veto and approved the accord

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with Slovenia, the guidelines for negotiating with Algeria, and the political declaration with Mexico.

It was commented at the Foreign Ministry that "the UK Government seemed to fully understand these reasons and did its part so that the accord with Chile could be signed on the established date." Furthermore, it was observed that the deference Britain showed to Chile is an indication that Britain prizes its ties with Chile and the necessary development of trade between the two regions.

In addition, it was pointed out that the conflict pitting Britain against its EU partners over the prevalence of the so-called "mad cow" syndrome in Britain never disrupted the necessary formalities the EU-Chile accord has to go through within EU organizations, in this case the European Council.

After having attended a meeting of the Cabinet political team at La Moneda Palace, Insulza recalled that the subject is on the agenda of the European Council meeting, which will be brought to a close today, and therefore, the official and definite confirmation of the signature of the agreement with Chile will be made if the point is indeed analyzed at the meeting.

The foreign minister said: "I would say that the head of state will be leaving for Europe to sign the accord with the EU since we are practically certain that the Council will give its concurrence."

The head of the Foreign Ministry insisted on the fact that the problems that had cropped up with the signature of the EU-Chile accord were due to a domestic situation confronting the EU "with which we have nothing to do and, therefore, it would make us feel very happy if it did not affect Chile."

Changing the subject, Insulza said it is to be regretted that congressmen should be misinformed about their claims that Britain would be exerting pressure on Chile so that the latter may eliminate a tariff levied on whisky imports. According to the foreign minister, these allegations are totally groundless. He insisted on the fact that Britain had never suggested that it would change its stance vis-a-vis Chile on condition that the issue of the tariff on whisky was scrapped. Insulza termed the assertions claiming that the accord with the EU was subject to the settlement of this problem as irresponsible.

Chile: Agreement on Weekly Flights to Falklands Reached

PY1806164096 Buenos Aires TELAM in Spanish 2045 GMT 16 Jun 96

[FBIS Translated Text] London, 16 Jun (TELAM-SNI) — Following increased tourism over the past few years, British Airways and the Chilean company Aerovias DAP [expansion unknown] have agreed to implement a weekly flight to the Malvinas [Falkland] Islands.

The weekly flight will be implemented via Santiago, as contact between Argentina and the Malvinas Islands has been interrupted since the South Atlantic war in 1982.

People travelling on Argentine passports have not been authorized to enter the islands since that war.

Those interested in travelling to the islands must pay 1,340 pounds (about $2,144) for their tickets. Nevertheless, a lower rate — 940 pounds ($1,504) — was established for Malvinas Islands residents and their relatives.

So far the only way of reaching the Malvinas Islands involved a special British Royal Air Force (RAF) flight or ships.

British Airways Executive Director Bob Ayling explained: "There has been growing interest in the islands over the past few years. Even though it is a small market, we hope this new service will increase tourism."

Ayling indicated: "We are discussing the establishment of holiday packages via tourism agents." He did not specify when the initial flight would take place.

Among those interested in visiting the Malvinas Islands, Ayling mentioned "wildlife photographers and those who want complete rest."

Chile: Insulza Leaves For Buenos Aires for Mercosur Talks

PY1906033696 Santiago Universidad Catolica Television Internacional in Spanish 0100 GMT 19 Jun 96

[FBIS Translated Text] Chilean Foreign Minister Jose Miguel Insulza traveled today to Buenos Aires to discuss problems that are still pending one week prior to the signing of the agreement with Mercosur [Common Market of the South]. Insulza is scheduled to travel to Florence, Italy from Buenos Aires.

[Begin recording] [Unidentified reporter] The last Mercosur foreign minister's conference is scheduled to be held in Buenos Aires tomorrow. This session is held to discuss the problems still pending one week prior to the presidential summit scheduled to be held in San Luis Province, Argentina during which the Mercosur agreement will be signed.

[Insulza] There are a few pending problems. In other words, one day is more than enough to discuss them all. Nevertheless, in view of the importance of the

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subjects involved I cannot ascertain that we will sign the agreement until tomorrow's meeting is over.

[Reporter] The issues in question deal with specific matters such as norms of origin, liberalization of products, and tariff preferences affecting some Chilean exports.

According to Insulza, who will travel to Florence, Italy from Buenos Aires, all these problems may be overcome with political will. In Florence, Insulza and President Frei will sign the agreement with the EU.

Through the latter agreement, which is structured different from that of Mercosur, we will gradually achieve the liberalization of trade.

[Insulza] We can reasonably state that we are gradually achieving an overall economic liberalization process that should be fully accomplished between the year 2000 and 2005.

[Reporter] The foreign minister said the UK exerted great flexibility in order not to veto the agreement with Chile as it did with other EU resolutions.

Regarding the tax on whisky, which according to legislators had been a prerequisite, Insulza said that this issue has not yet been studied by the Chamber of Deputies and that this would have been a good pretext for the UK to veto the agreement, something which it did not do. [end recording]

Chile: Housing Agreement With Mercosur Signed in Istanbul

PY1806230296 Santiago EL MERCURIO in Spanish 13 Jun 96 p C7

[Article by special correspondent Elena Martinez in Istanbul]

[FBIS Translated Excerpt] Chile and Mercosur [Common Market of the South] member countries — Argentina, Brazil, Paraguay, and Uruguay — have signed an agreement geared to establishing standardized housing regulations for quality purposes, which seeks to have a beneficial effect on the integration and development of the construction industry.

In broad outline, the aforementioned accord establishes a regional program aimed at enhancing the quality of the construction industry in Latin America's Southern Cone countries.

Edmundo Hermosilla, minister of housing and urban affairs, underscored that as a spin-off from this accord, consensus on quality standards will promote the internationalization of the Chilean construction industry.

There are at present certain trade restrictions on certain building materials like lead. The regional program agreed upon establishes common regulations, thus facilitating the transfer of materials and their circulation in the regional market without any limitations on weight or measurement.

The accord seeks, first and foremost, to encourage the development of national strategies to enhance the quality of construction in the signatory countries; second, to lay down common procedures to achieve better quality standards of construction companies, projects, and building materials; third, to have common procedures for the certification and sanctioning of new products and techniques; fourth, to put together registers and criteria for the regional classification of construction companies; and fifth, to design regional criteria for public bids.

The issue of quality and its constant enhancement constitute a particularly significant challenge for Chile and Mercosur. Given the efforts the governments of the southern cone are making to overcome the housing shortage, this challenge will center on the housing front during a first stage.

To that effect, Chile is one of the few countries of Latin America in which the shortage of housing has been decreasing over the last four years since new housing is outpacing the number of new householders. This notwithstanding, the authorities have acknowledged that there is still much to be done as at this rate, it will take several years for all Chileans to have their own home.

In practice, the agreement signed by Chile and Mercosur provides that each signatory country will appoint a technical representative to start approving quality standards and regulations. In the case of Chile, the Construction Institute, established by law in 1995, will discharge these duties. The Construction Institute groups together representatives of the Ministries of Housing and Public Works, construction companies, university centers.

At a later stage, ordinances will be modified in due time to make them conform to regional structures.

Common Tools

There is broad consensus at the regional level on the fact that the spawning of trade agreements and, particularly Mercosur, demands moving ahead quickly in the implementation of common procedures and tools in the area of housing. This was confirmed during the working meetings that have been held within the framework of the Habitat II Conference convened under the aegis of the United Nations to discuss the issue of shantytowns.

Various organizations from the Southern Cone which are interested in the development of construction techniques and in quality problems have been holding talks

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for a long time. The appropriate agencies recently drafted a preliminary document in Buenos Aires outlining a common program. Such text has been incorporated as an annex to the Istanbul consensus and sums up the framework of this process and proposes a realistic timetable for several lines of action.

The EU went through a similar integration process and the consolidation of housing within the EU took three years. Chile and Mercosur will have to accomplish a similar task in a comparable time frame.

The EU will contribute to this regional experience with its experience and financial aid although the exact amount of this aid has not yet been decided. France has already pledged a minimum contribution of $2 million for a three-year program. [passage omitted]

Chile: Student Demonstrations End in Violent Incidents

PY1806170796 Santiago EL MERCURIO in Spanish 13 Jun 96 pp A1, A11

[FBIS Translated Excerpt] Demonstrations yesterday afternoon, during the 24-hour national stoppage staged by university students protesting against the bill on the financial and administrative policies of the 16 state universities, ended in violent incidents and burning barricades at both ends of Bernardo O'Higgins Avenue and outside the Education Ministry.

This stoppage, which was also supported officials who called others to strike, is the largest of its type against a government initiative during the two periods of the coalition.

Some 5,000 students participated in the rally on Alameda Avenue in front of the Education Ministry where placards and dummies representing some officials were raised in the air, while the youth shouted slogans against the system and demanded the nonapproval of the legal initiative submitted to the Senate.

Regional reports state the stoppage was massively observed and some university campuses were occupied — some for 24 hours, and others indefinitely — but there had been no violence except for the temporary interruption of traffic on some streets, without the need for the intervention of the Carabineros.

Several private universities joined the stoppage and the marches, including the Northern Antofagasta Catholic University, the Catholic University of Valparaiso, the University of Concepcion, and the Southern University of Valdivia.

In an assessment after the dispersion of demonstrators just after 1700, the Education Ministry admitted the high national observance of the stoppage. Their main objective is to get the bill rejected, considering it a measure that promotes privatization and self-financing of state universities.

Education Under Secretary Jaime Perez de Arce ruled out the possibility that this nationwide students protest represents concern against the government or government policies in the educational area. He termed positive the fact that the student movement is reorganizing again after a lengthy period of "sluggishness."

"We have a protest but not a proposal," Perez de Arce said, expressing surprise that the leaders did not present a formal proposal after the demonstration against the bill, as announced.

Both Perez de Arce and Education Minister Sergio Molina — who was in Valparaiso during the demonstrations — explained that the bill will not be withdrawn from Congress, as requested by some sectors of students, teachers, and officials, and that the government will "patiently" wait for leaders to submit their proposals so the government may then submit its own suggestions and request urgent treatment as requested by the Consortium of State Universities that groups the 16 state universities. [passage omitted]

Two marches began at 1400; one at the University of Chile Engineering School — on the corner of Beaucheff and Blanco Encalada Streets — and the other at the Santiago University — on the corner of Ecuador and Alameda Avenues. They met on Cumming Street and continued together to the Education Ministry.

The demonstrators focused their protests on the Christian Democratic Party headquarters at 1460 Alameda Avenue. The groups shouted slogans and hurled rocks at the building.

The police detachment that prevented the marchers from moving toward La Moneda Palace was much larger than on previous occasions. Some 20 buses with police troops from several units and Special Forces groups cordoned off the square in front of Government Palace.

The violent actions began at 1600 near the Education Ministry, on Amunategui and Teatinos Streets, when violent groups began throwing rocks and molotov cocktails at the police vehicles which were parked on Teatinos Street. They were parked there to avoid abuse by the demonstrators on their way to La Moneda Palace.

The police acted decisively by establishing barriers with men and their shields and by using water cannons and tear gas grenades, especially against the groups that gathered in front of the CUT [United Workers

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Confederation] headquarters, on the southern side of Alameda Avenue.

Carabineros Colonel Italo Garcia, in charge of the police detachment, told the press that unidentified individuals attacked his men with bird shot from the CUT building, and that some police vehicles were damaged.

After 1400, the circulation of buses and other vehicles was suspended by the police as a precautionary measure.

Some benches and the central promenade — which was the main scenario of the rally — were damaged, while gardens and traffic signs were destroyed. [passage omitted]

Chile: Ministry Said Not Analyzing Pinochet's Succession

PY1806230496 Santiago EL MERCURIO in Spanish 11 Jun 96 p C4

[FBIS Translated Text] Defense Minister Edmundo Perez Yoma asserted on 10 June that so far he had not received any proposal from General Augusto Pinochet, the Army commander in chief, about the make-up of the Army High Command next year. The defense minister stated that therefore, he had not yet analyzed whether or not he will apply the so-called Canessa Law to one of the four officers who must retire this September.

Having presided over a ceremony in which he inaugurated a series of workshops on the "National Defense Book" at the Diego Portales building, Perez Yoma stated that in his view, the promotions and retirements which are going to take place in the Army this year will not give rise to "any special situation. The Defense Ministry is not considering this subject at present."

The defense minister explained that the incumbent administration will inform the public about a possible promotion and retirement of generals only after learning Gen. Pinochet's proposal once the Army makes a decision about this.

The four most senior Army officers will have to go into retirement on 30 September after being on active duty for 38 years, as prescribed by Army regulations.

This is going to be the case of Lieutenant General Guillermo Garin, Army deputy commander; Major General Richard Quas, chief of the General Staff; Brigadier General Ramon Castro Ivanovic, military attache to the United States; and Major General Jaime Concha, Army inspector general. Their retirement could only be postponed through the application of the so-called "Canessa Law," which empowers the president of the Republic to extend up to three years the active duty of the officer who holds the position of deputy commander in chief of a branch of the Armed Forces.

Any of the aforementioned officers can emerge as the beneficiaries of this law since Garin is currently the deputy Army commander and the other three may be promoted to this position before their active duty terms expire.

Pursuant to a temporary provision of the 1980 Constitution, Gen. Pinochet must retire by 11 March 1998, and therefore, the candidates that he puts forward for the High Command and submits to the Defense Ministry may be decisive regarding the possible candidates who will succeed him.

Colombia

Colombia: DAS Director, Samper Deny Wiretapping Charges

PA1906015796 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 19 Jun 96

[Report by Alvaro Ayala; from the "24 Hours" newscast; monitored from retransmission by Lima Sistema Unido de Retransmision Television at 0000 GMT 19 June]

[FBIS Translated Text] DAS [Administrative Department of Security] Director Marco Tulio Gutierrez said today that no one understands why Roberto Gelbard, U.S. assistant secretary for international narcotics and law enforcement affairs, has charged that the Colombian secret police is tapping the telephones of the U.S. Embassy in Bogota and that U.S. Ambassador Myles Frechette is being spied on.

The DAS director said he would be proud if Colombia could carry out such spying activities and that it would be a world feat if with its primitive technology, based on beans and sugared water, they managed to wiretap the U.S. Embassy's electronic communications. He recalled that the U.S. Embassy installations are the most modern in the world and were inaugurated in Bogota only three months ago.

[Begin Gutierrez recording] If this is true, I would take out a patent — I would almost say that I would sit and wait for offers from international intelligence organizations — on the method of breaking into U.S. intelligence using beans and sugared water. [end recording]

On the same issue, Colombian President Ernesto Samper said this afternoon that no one believes Gelbard's story.

[Begin Samper recording] No one believes this theory. For a country as small as ours in terms of its intelligence expertise, using only its native wits, which is what we have as our intelligence system, to bug the country that

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sent a man to the moon is, I believe, a story no one believes. [end recording]

The DAS director presented his irrevocable resignation this afternoon and announced that he will dedicate himself to his family and his private business. However, it was revealed today that President Samper offered him the Interior Ministry, the Justice Ministry, or an embassy. He will decide on this in the next few days because at the moment he feels quite threatened.

Colombia: DAS Head Resigns Over U.S. Official's Remarks

PA1806174596 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1700 GMT 18 Jun 96

[From the "Midday Newscast"]

[FBIS Translated Text] Santa Fe de Bogota — Attention. DAS [Administrative Department of Security] Director Marco Tulio Gutierrez unexpectedly presented his irrevocable resignation after remarks made by Robert Gelbard, assistant secretary of state for international, narcotics, and law enforcement affairs, were disclosed. Gelbard had reported that his country's embassy in Santa Fe de Bogota had been spied on.

Gutierrez, who defended his public background in the country, said: That assertion is false, ridiculous, and slanderous.

In addition, Interior Minister Horacio Serpa rejected Gelbard's report saying it was a joke. Serpa said: That report is inconsistent with what has been happening. He tried to illustrate a point, but lost control.

Serpa further said that DAS has been doing its duty and respecting the rights of other countries' citizens, in particular those of the United States.

Colombia: Samper Offers Alternate Posts to DAS Director

PA1906030096 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 19 Jun 96

[Report by Alvaro Ayala from the "24 Hours" newscast; monitored from retransmission by Lima Sistema Unido de Retransmision Television at 0000 GMT 19 June]

[FBIS Translated Text] Official sources revealed today, that President Samper told his friend, [Administrative Department of Security, DAS, Director] Marco Tulio Gutierrez this morning that he could take his pick of the Interior Ministry, the Justice Ministry, or an embassy abroad. However, the DAS director declined because he preferred to return to his private life.

Indeed, Gutierrez abandoned the notary's office to which he had been appointed by then President Cesar Gaviria to accept the post of DAS director, which his best friend had offered him. Samper's friendship had been the deciding factor in his decision and Marco Tulio Gutierrez told Samper that he would accompany him until the crisis ended, and he kept his word. The DAS director resigned today.

Official sources have revealed that the U.S. Government's ill-feeling toward DAS director Marco Tulio Gutierrez is retaliatory because he did not allow CIA and DEA agents to enter Colombia without prior authorization.

Colombia: Interior Minister Discusses Samper, U.S. Ties

PA1806155796 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 18 Jun 96

[Telephone interview with Interior Minister Horacio Serpa by journalists Dario Arizmendi, Judith Sarmiento, and Edgar Artunduaga; introduction by Arizmendi; from the "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Arizmendi] Interior Minister Horacio Serpa's remarks over the weekend caused great surprise, to say the least. He referred to opposition leader and industrialist Hernan Echavarria Olozaga as an old gaga man. Good morning, Minister Serpa.

[Serpa] Good morning, Dario. How have you been?

[Arizmendi] Is your remark consistent with the National Restoration Agenda proposed by President Ernesto Samper in his speech over the radio and television on Thursday night, after the Chamber of Representatives closed his case?

[Serpa] Restoration, Dario, should be general and involve everyone. What I do not understand is why what Echavarria told the Colombian people after the Chamber of Representatives's decision failed to elicit great surprise. The first thing he said was that it was necessary to disown Samper. He then said that Samper was an antisocial person, that congressmen are drug traffickers, and that we, the ministers, are mafiosos. But we are not mafiosos. Personally, I am not willing to let anyone keep insulting me all the time just for the sake of opposing the government and insulting those of us who are members of Samper's government. What I did was to make an assertion that has been proven right. Some Colombian opposition sectors are in such a poor condition that this gentleman is the opposition leader.

[Arizmendi] Does age not deserve respect, Mr. Minister?

[Serpa] I spoke, not to show disrespect, but to illustrate a truth.

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[Arizmendi] But then, Mr. Minister, will the government react to any insult with stronger insults and offenses?

[Serpa] No, Dario. But the truth is that a time comes when the cup is filled and then overflows. During the past few months, we, and I in particular, have been insulted in the most thoughtless and merciless manner possible. For instance, Dr. Enrique Gomez Hurtado — I don't know on whose authority — referred to my remarks again saying, as he has done a thousand times, that I am a guerrilla commander. In addition to being untrue, such a remark could lead to serious complications. In an environment where there is so much thoughtlessness and violence, such remarks could even lead to tragedy. It is time to put things in perspective. I am inviting those who oppose the government to shift from conspiracy, which they have been voicing with bombastic words and improper language, to true opposition, as Samper himself wants.

[Arizmendi] Should not the government set an example by calming tempers and using a different language? It is one thing for the opposition leader, or one of the leaders of what you refer to as the conspiracy, to say it; it is an entirely different thing for the government to lower itself and use the same language. Last week on Caracol, when we asked the president about his reaction to Echavarria's words saying that Samper was also a mafioso and that he had been acquitted by mafiosos, Samper said: His words are so improper and out of place that they do not even deserve a reply.

[Serpa] I must admit that Samper is much more tolerant than I am. Nevertheless, I have demonstrated tolerance a thousand times and turned the other cheek many times. But it is no longer the time to be tolerant. Some people now do not take into consideration what is happening in the country. With due respect for the country and the people, I am not willing to change a single iota of what I said, even if I find myself up to my neck in trouble. What I did was express my opinion about a circumstance that I am experiencing. We the ministers are also made of flesh and blood. I will not tolerate being called a mafioso and a guerrilla, or saying that I ordered the assassination of a government ministry driver to conceal a crime, or that I stole campaign money. No. I am an honorable person, who obeys his duties. However distinguished and angry these gentlemen are, they also must learn to respect us.

[Arizmendi] Did the president say anything to you after your public statement in which you called Hernan Echavarria a decrepit old man?

[Serpa] The president did not appreciate my expression very much, I admit, but I am sure the president understands the situation in which some people are trying to place the ministers.

Dario, there is not much restraint in this matter. I repeat: I feel very sorry for the country. I do continue believing that the country has some problems in some of its sectors but there is this gentleman, who I must admit is very respectable, a great businessman who has a lot of money and who exerts a lot of influence in Colombian affairs, but he is not in the least the most clear representative of the national feeling, and he addresses his insults and affronts to those who represent the national government.

[Arizmendi] Is this the first time the President scolded you because of a disagreement over an expression of yours?

[Serpa] There have been several occasions on which I have had to very respectfully listen to his observations.

[Arizmendi] Has the admonishment had an effect on you?

[Serpa] [laughs] Oh, Dario...

[Artunduaga] What respect and guarantees will the opposition enjoy under the parameters clearly established by the president Thursday evening?

[Serpa] All the guarantees and the certainty that it can fully exercise all its rights, but opposition does not mean calling for civil resistance, defying the law, insulting those who served as judges of the president, and insulting the poor of Colombia. This has to be noted. The other day, Mr Echavarria referred to persons who were praising and applauding the president as poor people, as if this were an insult. I said important things in my Bucaramanga speech. In inviting to switch from a conspiratory position to a legal opposition, I said that there are important political differences in Colombia, that there are people who do not like the poor and that there are people like us who do not like poverty. These are situations that should be noted.

[Artunduaga] Mr Minister, how will the government relate with the Conservative Party considering that there is the group of Dr. Jaime Arias, who has announced his radical opposition, and the group of Dr. Isabel Celis, who has announced its backing for the president.

[Serpa] The group of Jaime Arias will enjoy all its rights to be in the opposition. The other sector, which has stated its support for the government and which has been backing the government, is very welcomed by the government and will also enjoy all its rights.

[Artunduaga] Mr Minister, Mr Robert Gelbard said, in referring to the espionage situation, he denounced,

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echoing charges made by U.S. Ambassador Frechette a few weeks ago, that Bogota and Colombia are living the days of Moscow in the 1960's.

What do you know about this and how do you respond, as interior minister, to these accusations by Mr Gelbard?

[Serpa] I think that what Mr Gelbard said is a joke. It does not represent in any way what has been happening. He tried to be very clear in a statement, but went too far. None of that is true. The Administrative Department of Security is fulfilling its job and tries to fulfill its functions while showing respect for the rights of the citizens and, especially, the rights of other nations, especially the United States. In this country, the government highly respects the people and the government of the United States, in spite of all the difficulties. The government has not endangered and will never endanger its interests by acting in the way Mr Gelbard has denounced. That has never occurred.

[Sarmiento] We asked the president if there will be a lawsuit in regard to the exchange of insults, because the legal road is perhaps a better road than mutual affronts, as in your case.

[Serpa] Of course, Judith, there has to be a lawsuit, but let's admit that we are living in an atmosphere in which things are measured according to where they come from. In his speech, the president asked that he be insulted no more and said that he is not prepared to permit a continuation of insidious affronts. Some took this defense as a government decision to impose censorship, to persecute the media, to close newspapers. No! I think we have to be more objective. I agree there are norms. I will seriously consider a lawsuit to examine some behavior, no matter what I may have to do. If I have to leave, I will leave, but I am not prepared to continue tolerating affronts or the inconsiderate behavior that opponents of the government have been expressing over the past year. Faced with a lack of evidence and reason, they have been using completely wrong terms while we offer our cheek, bear it, and bend. This is not healthy or good.

[Sarmiento] Last night in a statement to a television news program Monsignor Pedro Rubiano said the government has called for national restoration with calm and respect, but that this is not occurring. Isn't your attitude proving the monsignor right?

[Serpa] I ask Monsignor Rubiano to examine everything that has happened, not only what I have said. Why, he, a church leader, has said nothing when the president has been called anti-social or when the judges of the president, the representatives at Congress, have been called drug-traffickers. This is serious insulting and it is not true, and the ministers are not mafia, either. So if one is to be unbiased and if there is a true Christian spirit, why are not all these matters mentioned? One cannot bemoan over some things while keeping an accomplice's silence over other things.

[Arizmendi] Mr Minister, have you already been notified of the cancellation of your U.S. visa for entering that country?

[Serpa] No, but if it is canceled, what can I do? I'll just have to spend my vacations in San Gil or Barranca Bermeja.

[Sarmiento] This was Interior Minister Horacio Serpa.

Colombia: Ministers Wait for Samper Approval To Resign

PA1806155696 Madrid EFE in Spanish 1406 GMT 18 Jun 96

[FBIS Translated Text] Santa Fe de Bogota, 18 Jun (EFE) — The 15 members of Colombian President Ernesto Samper's cabinet, who will hold a council of ministers at 1700 today, are waiting for "a wink" from Samper to tender their resignations en masse, Interior Minister Horacio Serpa has said.

This is the announced ministerial crisis that was said to follow Samper's acquittal in the political trial that was held at the Chamber of Representatives last week.

"A council of ministers will be held. Although the ministers have not yet decided to tender their resignations as the result of the current political circumstances, they are just waiting for the president's approval. If he winks, we will present our resignations," Serpa said. He added: "Whether we stay in our posts or not depends largely on the President of the Republic."

The 15 ministers will hold a council starting at 1700 today, Serpa said. Speaking to radio stations, he said that there will be a cabinet crisis if there is a consensus "and a wink."

Several media sources have reported over the past few days that the president will "reorganize" the cabinet. The media think there will "surely" be changes in the interior and foreign relations ministries.

Last Wednesday, Samper was acquitted of charges that he was elected in 1994 with the Cali cartel's help. The next day, he announced a "National Restoration Agenda" to reorganize his government.

Serpa said that, if he leaves the present administration, it will not exactly be because of the opposition's pressure on Samper or a verbal confrontation with former minister Hernan Echavarria, whom Samper referred to

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as "an old gaga man." To this, Echavarria replied that Serpa was "a guerrilla leader."

Colombia: Samper Defers Cabinet Change Until Next Week

PA1806213196 Santa Fe de Bogota Emisoras Caracol Network in Spanish 2000 GMT 18 Jun 96

[FBIS Translated Text] Attention. President Ernesto Samper Pizano has postponed solving the cabinet crisis until next week.

All the ministers [words indistinct] their resignation through Development Minister Rodrigo Marin Bernal at a meeting held in Narino Palace. Minister Rodrigo Marin and his fellow ministers praised the president for the manner in which he had handled the legal, political, and institutional issues during the recent events.

Also, Interior Minister Horacio Serpa, on behalf of his fellow cabinet members, told the head of state that they wanted to give him freedom to organize his cabinet of ministers in accordance to the new political situation that arose after the president was acquitted by the Chamber of Representatives last week.

The president confirmed his ministers in their positions until next week. He told them the cabinet crisis would be resolved selectively, gradually, and in accordance with the arrival of new support personnel.

Consequently, the cabinet crisis has been postponed, the ministers have been confirmed, and selective and gradual changes will be made. Probably, one or two more conservatives, from the groups currently headed by Senator Roberto Gerlein Echaverria and Isabel Felix, the vice president of the Chamber of Representatives, will enter the cabinet.

Colombia: Samper To Launch Reconciliation 'Crusade'

96P20438A Santa Fe de Bogota EL ESPECTADOR in Spanish 18 Jun 96

[Received via Internet]

[FBIS Translated Text] President Ernesto Samper will launch a great crusade for national reconciliation in the next couple of days.

This was the purpose of the visits he has made to several parts of the country in recent days. However, he is putting together a program, with the help of his close collaborators, that will allow him to carry out this effort in a more organized manner.

The idea, according to a presidential palace spokesperson, is for the chief of state himself to survey the population in order to ascertain the degree of acceptance that exists following the favorable ruling issued by the House of Representatives.

While Samper Pizano is "taking the pulse" of the country with regard to their attitudes toward his administration, he will promote what he has called the great crusade for national reconciliation.

It involves creating an awareness among Colombians of the necessity to join forces in order to overcome the crisis which resulted, in part, from accusations that money from drug trafficking had entered the Samper campaign, though without the knowledge of the then candidate, according to the conclusion reached by the House following the investigation into that matter.

The national reconciliation program being promoted by the chief of state has three fundamental points. The first is the proposal to reactivate the economy.

The government will begin to work on this initative, this week, together with the business associations [gremios] and businessmen who will meet with the economic ministers.

The second point concerns the legislative package that he will present to the Congress for consideration on 20 July.

The third point on which the reconciliation proposal is based is the so-called institutional readjustment.

President Samper says that all the programs that his government is initiating are within the framework of the development plan, the Social Leap, inasmuch as his administration will never lose the direction it has taken from the beginning.

Colombia: Governors Stress Need for Reconciliation

PA1806191096 Medellin EL COLOMBIANO in Spanish 14 June 96 p 14A

[FBIS Translated Text] During the National Conference of Governors in Pereira, the full session of governors yesterday called for respect and compliance with the verdict of the Chamber of Deputies, which ordered the closing of the case against President Ernesto Samper.

The governors reiterated the declaration of the previous general assembly regarding the need to begin a process of national reconciliation which should be convoked by the President of the Republic.

"It requires that those persons who have been demanding the president's resignation, at least accept to initiate candid conversations with the government, manifesting their patriotism and the composure called for at this moment," the governors' declaration states.

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It is incomprehensible to the governors that a country that has allowed the submission of drug traffickers to justice, and pardon and amnesty for guerrilla members, cannot reconcile the position of its political leaders.

"We, who are responsible for leading the public and private sectors, should unite to defeat the three great ills affecting Colombia at this moment: drugs, corruption, and violence. Only by doing this will the country find a firm path toward progress and the recovery of its credibility, internally, and in the international community. These three issues must be at the top of the agenda for a great national reconciliation," the pronouncement concludes.

The document was signed by Conference President Alvaro Uribe Velez, Conference Vice President Sergio Entrena Lopez, and by Executive Director Carlos Holguin Sardi.

Colombia: Guerrillas Release U.S. Missionary Hostage

PA1806161796 Paris AFP in Spanish 1456 GMT 18 Jun 96

[FBIS Translated Text] Santa Fe de Bogota, 18 Jun (AFP) — Sources from the Summer Institute of Linguistics (ILV) have announced that Ramon Rising, a missionary kidnapped more than two years ago by Colombian guerrillas, was released on 17 June in Bogota. Rising was employed at the ILV at the time of his abduction.

An ILV communique states that although ransom was requested for Rising's release, in the end, no payment was made.

Rising was kidnapped on 31 March 1994 in Puerto Lleras Municipality in eastern Colombia.

Colombia: Representatives To Form Opposition Bloc

PA1906015896 Santa Fe de Bogota Radio Cadena Nacional in Spanish 2330 GMT 18 Jun 96

[Report by Javier Conteras live from Congress; from "The Latest News" newscast]

[FBIS Translated Text] Approximately 29 representatives from the ruling party and the Conservative Party will sign a declaration that will be made public on 19 June, at the plenary of the Chamber of Representatives. However, Radio Cadena Nacional has just obtained a copy of this declaration, which states the following:

The parliamentarian representatives who sign this document are forming a bloc opposing the current government, and, as such, we will offer our support only to those legislative initiatives that benefit the fatherland and national interests.

Second, we will offer our support to participate, with a patriotic and constructive spirit, in the study and publication of the package of proposals the national government is planning to submit to Congress for it to examine during the legislative period, which begins on 20 July. The following are the vital issues: the nation's progress, public order, the fight against drug trafficking, the surrendering policies, and the adoption of mechanisms that will allow the definite purging of political customs, which have been infiltrated by drug-trafficking money, thus harming national institutions. We hope this harm will not be as irreparable as the public suspects.

The third point of this declaration Radio Cadena Nacional has obtained states: According to the announcement the president of the Republic made, we are concerned about the fact that the issues pertaining to the issuance of opposition statutes, which must incorporate and develop all constitutional guarantees for their full and legitimate enactment, are barely mentioned in the aforementioned agenda.

The document also states the following: We are aware of the urgent need to adjust our constitutional and legal order in order to reform the institutions the 1991 Constitution created. Finally, the declaration states: We will oversee all the measures that aim to increase the economic growth and seek to recover the levels of employment and well-being of the gloomiest economic sectors.

Roberto Camacho, Melquiades Carrizosa, (Fernando Tamayo), Mario Rincon Perez, and (Jaime Casabianca), among others, are some of the representatives who will sign this declaration.

Colombia: Conservative Party's Celis on Party, Samper

PA1806183396 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 18 Jun 96

[Telephone interview with Isabel Celis, vice president of the Chamber of Representatives, by Caracol News Director Dario Arizmendi, and reporters Judith Sarmiento, and Javier Ayala — live]

[FBIS Translated Text] [Arizmendi] During the Senate of the Republic's plenary session that is scheduled to take place today, Dr. Roberto Gerlein Echeverria, representing several colleagues, will be unveiling a document signed by 13 fellow senators expressing support for President Samper's administration. These 13 senators will join the 25 Conservative congressional

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representatives, who are headed at the chamber by Dr. Isabel Celis. Dr. Celis, good morning.

[Celis] Good morning, Dario.

[Arizmendi] Does this mean that this group has now become a majority voice within the Conservative Party, considering that it has the support of 13 senators and 25 representatives.?

[Celis] Dario, it has always been my policy to address the Colombian people with absolute clarity. The group at the chamber does not add up to 25, but more than 32 representatives. Neither are all the constant speculations being made by the media true, except those that you have made, and I must say this clearly. There have been no demands or agreements made by President Samper. You yourself were able to witness that five of our colleagues were unable to take part in the plenary session where the decision to acquit was adopted, and four or five others decided to vote against the motion. Whatever the case, the number stands at more than 32 Chamber representatives who expect to make a pronouncement sometime today. We intend to support the anti-drug policies President Samper recently announced to the country and, in addition, we intend to continue working in this direction.

[Arizmendi] Do you expect to have more representation within President Samper's cabinet, more in tune with the majority force you have now started to have within the Conservative Party?

[Celis] Dario, this is a very important issue. The fact is that, as a new force within the Conservative Party or the new conservatism as we have defined it, we believe that we do not represent a dissident force. As you yourself have been able to corroborate, our group represents a majority within the Conservative Party, and this opens the door to talks which today we will be conducting with the president of the Republic. In no way will this represent a split between senators and representatives. This is a conjugation of forces, and the honorable senators have selected Dr. Roberto Gerlein to be their speaker, while the honorable representatives decided to select me. In fact, we now have a sort of a dual leadership in this new movement, or new voice of the Colombian Conservative Party.

[Arizmendi] What does Dr. Celis expect to receive from the government?

[Celis] More than expecting anything from the government, we seek understanding from the Colombian people and especially the party to which we belong. As I said in my address, we are members of this party not simply because of affiliation but because we believe in it and live for it. We are going to demonstrate that the manner in which political decisions were being adopted within the party was absurd. Party leadership was inadequate, and we are going to prove that they represent the past, and that we represent the future. Therefore, following this same line of thought, our initial decisions are more oriented toward [words indistinct], which obviously will be understood by the government headed by the president of the Republic.

[Ayala] Dr. Isabel Celis, since you have said that your movement also intends to form a board of directors, can this be construed as a coup against the current Conservative Party leadership, which is headed by Jaime Arias, Omar Yepes, and Favio Valencia?

[Celis] We do intend to form a provisional board of directors as you have just mentioned. Our board of directors will be a dual board of directors and will include Senator Roberto Gerlein and this speaker. I am unaware if this will be interpreted as a coup against the national Conservative Party board of directors or not. The truth of the matter is that I do not adopt decisions with my mind set on the misfortune about to befall others, but on what we are doing for the future. I believe that I have clearly explained what we all have our minds set on.

[Sarmiento] Dr. Celis, following the Chamber of Representatives' ruling, Jaime Arias pointed out that those Conservative Party members who supported Samper would be charged with conduct unbecoming. Is your group concerned about being described in this manner?

[Celis] I believe this charge of conduct unbecoming is open to debate, and that Senator Jaime Arias is better-suited to conduct unbecoming charges than we are. During the early days of President Samper's administration and even after the disclosures made by our presidential candidate Andres Pastrana related to illegal funds having infiltrated the presidential campaign, Senator Jaime Arias organized several meetings intended to persuade the government to appoint a close relative of one of his political associates as national director of the National Apprenticeship Service. I believe that his conduct is more unbecoming than ours. It is even more unbecoming when someone jumps ship precisely when it start to sink. You have known us for sometime now and are well aware of our position. We are not drug traffickers, and neither do we have any shady deals which we seek to conceal. All we are and all we have to show the Colombian people is that we are a group of honest country people [word indistinct] who have come to the capital city of the Republic to start a new style of doing politics.

[Ayala] Dr. Celis, how can you convince the country that the issue is not just a matter of seeking positions,

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since this would seem to be the practice on one side as well as the other?

[Celis] Look, I believe that is a misleading assessment. Colombia's democracy, the country's political Constitution itself covers all the political practices that are acceptable and those that are not. It is obvious that this is a new bloc within the Conservative Party and one that has appeared suddenly in the country's political scenario. If the Constitution, I repeat, not only allows but also condones certain mechanisms to be used by the president as formulas to govern, then I believe that at this time what the country needs, not just the president, is to attenuate attitudes. The judicial process has ended and there are no other mechanisms to turn to at the Chamber of Representatives. The process is over. It was extensively debated even if the government's enemies may believe otherwise. I believe we must all now start thinking about the country's future rather than about petty issues. Colombia needs to reconcile attitudes. Colombia needs a stop to all the violence that is taking place. The president needs to be allowed to govern. To this end he needs to surround himself with people who want and are willing to work with him. Obviously he will continue to oppose those individuals who have adopted belligerent attitudes and are closed to any type of reconciliation. I believe the situation is not appropriate for this type of close-minded attitude.

[Sarmiento] The past belongs to the previous Conservative Party leadership, but the future is ours, says Isabel Celis, vice president to the Chamber of Representatives who, together with Senator Roberto Gerlein, is a member of the dual board of directors of the so-called new conservatism that supports President Samper.

Colombia: Chamber President Rodrigo Rivera Interviewed

PA1806184796 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1415 GMT 16 Jun 96

[Interview with Rodrigo Rivera Salazar, president of the Chamber of Representatives, by program director Juan Dario Lara in Santa Fe de Bogota; from "The Personality of the Week" program]

[FBIS Translated Excerpt] [Lara] The country has finally regained its calm after almost a year full of anxiety, uncertainty, and malicious rumors. This uncertainty ended on Wednesday 12 June at midnight after endless hours of debate at the Chamber of Representatives. [passage omitted] Dr. Rodrigo Rivera, president of the Chamber of Representatives, welcome. What took place at this hour on Wednesday?

[Rivera] Well, thank you, Juan Dario. On Wednesday night, I believe, we were concluding one of the most important cases in Colombian history. This case was full of shocks, uncertainty, risks, and threats against Colombian institutions from domestic and foreign friends and enemies. These were made through both legal and illegal means. I believe that these episodes will finally be recalled not only because of what occurred, but also because of what did not take place. This is so because the state of law did not collapse and because Colombia has emerged before the world's eyes as a law-abiding nation that has institutions and the calm and serenity required to discuss even the most delicate matters in a civilized and democratic atmosphere without having to resort to violent means as a solution. [passage omitted]

[Lara] Among other things, did Dr. Heyne Mogollon, who became very controversial because of his report, [word indistinct] intensify the debate and discussion?

[Rivera] I believe that the best way to have made this investigation more credible would have been to authorize the Criminal Chamber of the Santa Fe de Bogota Superior Court to [words indistinct] evaluate the evidence as the president's [former] attorney Antonio Jose Cancino had requested. However, the fact that lawmakers, whose profession is not to investigate, had to conduct an investigation without having enough time, an exclusive commitment, and the necessary tools, would have only yielded what it actually did: an investigation so full of flaws that, I believe, neither the country nor President Ernesto Samper deserved it.

[Lara] Would you say then, Dr. Rivera, that there are still doubts about President Samper's innocence?

[Rivera] Oh no, I would not say so. What I am stating is my reason for casting a dissenting vote. As a Colombian citizen and as the Chamber of Representatives president, however, I should say right here that President Samper's innocence has been judicially and institutionally established through the decision issued by the Chamber's plenum. This decision might be agreed with or not, but it has to be complied with. This is a truth that has been established through this decision. [passage omitted]

[Lara] Mr. President of the Chamber: Last Thursday, that is to say, the day after the votes were cast, U.S. President Bill Clinton said he respected the Chamber of Representative's decision to acquit the president because the Congress had been democratically elected. However, several dissenting voices where heard in the United States and something similar happened here in Colombia. Jesse Helms, a spokesman who is not very fond of Colombia or of President Samper, said the votes of the Chamber of Deputies showed that Samper controlled his party's deputies and, thus, nothing more could be expected. He also said that apparently President

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Samper is not the only politician who could be bought in Colombia. What is your opinion on his statements?

[Rivera] I believe that this was a vicious statement to say the least. I believe Senator Helms cannot make an accusation or an insinuation of this type without, at least, presenting evidence of the things he says. I believe my example is the best testimony I can give. I am the president of the chamber. I have been President Samper's friend. I am a member of the governing party's directorate. President Samper is a member of this same party. I have stood close to the president during all the events of the past months. However, the president of the Republic has never asked me to vote one way or the other. He always said we should vote according to our conscience and this is how it was done. I cast my vote according to my conscience. I don't believe my vote was more conscientious than the ones of my colleagues who, also following their conscience, voted in favor of closing the case. One can disagree with the opinion of other people but cannot (?defile) them in this manner.

[Lara] Here in Colombia, however, it was even said that the president or the government was buying the consciences of the parliamentarians with gifts and (?favors).

[Rivera] There was pressure coming from many places here. One of the strongest pressures exerted on the congressmen was to threaten them with charges of breach of official duties [prevaricato]. I believe we congressmen assumed our responsibilities individually when we cast our votes publicly. We committed ourself to a position and confronted all the consequences in doing so: the political, personal, and also the legal consequences. Thus, in this situation, it can hardly be said that the congressmen's decision was based on this type of intimidation. I honestly believe most congressmen backed the position of closing the case and this has to be respected. This decision was made in accordance with the [words indistinct] of the state of law. The decision should not be controversial but rather accepted because it is of compulsory compliance [words indistinct] in Colombia.

[Lara] The U.S. Government did not like the recommendation made by the Accusations and Investigations Committee of the Chamber of Representatives to the plenary. Now that this body acquitted the president, do you believe the United States could press economic or [word indistinct] sanctions?

[Rivera] There is a very slight difference between President Clinton's reaction, which you are mentioning now, and the reaction of the U.S. Government on the Accusation Committee's decision. On that occasion, as you mentioned, there was almost a disqualification. On this occasion, there has been an expression, if you care to describe it that way, of resignation. We have a congress that was elected democratically and congressmen voted according to their conscience on Monday. I believe this stance is much more in accordance with the principles of nonintervention that prevail in international law and that has been especially respected by Colombia and, up to now, by the United States in regards to our country. I believe relations between countries must be based on mutual respect.

Decades ago Colombia demonstrated respect for the process faced by President Nixon, a process that was viewed by the U.S. Congress for two years. Here this was done faster, in one year.

Over there they had two years of debates and it was the Congress who with its investigations perhaps opened up the possibility of President Nixon's resigning. Colombia respected that situation before and after the outcome.

We believe that the United States and other countries should also respect the decisions the Colombian authorities may autonomously and sovereignly adopt. [passage omitted]

Colombia: Foreign Minister on Chamber Vote, U.S. Ties

PA1806144496 Santa Fe de Bogota EL TIEMPO in Spanish 17 Jun 96

[Report on interview with Foreign Minister Rodrigo Pardo by an unidentified reporter; place and date not given — received via Internet]

[FBIS Translated Text] The foreign minister, who will meet today with the pope, has said that "it is only logical for the president to think about a replacement to start this new governmental phase with other people, new blood, and more energy."

Shortly before boarding the plane that took him to Italy, Foreign Minister Rodrigo Pardo pointed out that the Chamber of Representatives' acquittal will finally let the president of the Republic readdress the international agenda, which was adversely affected during the entire process.

Even though he said that his commitment with the ministry "ends here," he left his departure in the president's hands.

Without ruling out the possibility of the United States imposing sanctions, the foreign minister added that such a decision "would be as serious a mistake as the decertification itself, because Colombia is willing to revise its bilateral drug fighting programs and, if necessary, to improve them."

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Pardo is in Rome today, where he will meet with Pope John Paul II, Vatican State Secretary (Angelo Sodano), and Archbishop (Jean-Louis Tauran), under secretary for state relations. Tomorrow, the minister will travel to Paris to meet with Interior Minister Jean-Louis Debre, whom he will ask to present a NAM initiative to the Group of Seven, of which France is the current president. Finally, Pardo will visit London to hold official meetings with UK officials and will return to Colombia on 21 June.

[EL TIEMPO] Some people interpreted the president's speech as the acceptance of a task assigned by Washington. What do you think?

[Pardo] I believe that the president's speech responded to an international agenda. Many of the measures he announced were included in his inaugural speech, such as the need to do away with the vices of the surrendering policies, the increase in prison sentences, and the reduction of benefits.

As certain U.S. Government spokesmen have lately said, the relations between the two countries depends, to some extent, on how the cooperation in the fight against drug trafficking is handled. If Colombia, its government, and its society prioritize the fight against drugs, the relations between these two countries could probably be prevented from continuing to deteriorate.

[EL TIEMPO] The U.S. State Department affirmed that the relations between the two nations is going to be gauged by the fight against drug trafficking. Could this fact be interpreted as a "major change of mind" [reversazo] by the United States, which disqualified the Accusations Committee a month ago and now says that its respects the Chamber's ruling?

[Pardo] It is possible that the statements made on 13 June are less harsh than those made on the day the Accusations Committee rendered its decision. The truth is, however, that both of these statements are consistent, because both of them, on the one hand, confirm that the United States acknowledges the fact that Colombia's domestic affairs pertain to Colombia and, on the other hand, also recognize that preserving Colombian democracy is desirable, while expressing its concern about the manner in which the cooperation against drug trafficking is taking place.

Perhaps the two statements emphasize different things, but I believe that the U.S. line of action has been coherent.

[EL TIEMPO] The statements made by State Department Secretary [title as published] Nicholas Burns said that Colombian authorities were going to be convened to revise the two countries' relations...

[Pardo] It has two different meanings. First, in the United States, there is an internal process of revision on the cooperation with Colombia. It is a process stemming from the decision made on 1 March — a decision that was wrong and unfair, in my opinion — to decertify Colombia, forcing a revision on the relations to make a decision on whether or not to adopt other sanctions, in addition to the decertification.

Aside from that, it seems to me that there is a proposal to evaluate the cooperation, not by the United States alone, but together. In other words, the two countries' authorities must see how the programs we are implementing are working. I see this as something good.

For Colombia, it is essential to keep the U.S. cooperation in the fight against drug trafficking and to ensure that the programs work and are efficient. It seems to me that it is essential for the evaluation and drafting of programs to be done together, not unilaterally.

[EL TIEMPO] Do you foresee any sanctions?

[Pardo] We have to understand that the formal possibility of imposing sanctions remains open since 1 March. As a result of Colombia's decertification, President Clinton has the authority to impose sanctions on Colombia.

I hope that we will not attain this degree of deterioration for several reasons. First, because it would be detrimental to the possibilities of working together in the fight against drug trafficking and because this would adversely affect not only the country of Colombia. Second, because the Colombian Government has the resolve to keep the cooperation with the United States and even to improve it. Third, because in the last few months, cooperation programs with the United States have continued and have even increased, thus showing that there is an ongoing cooperation.

It is good for us to evaluate if this cooperation has been satisfactory for the two countries or not, and, if it could be improved, Colombia will always be willing to improve it.

[EL TIEMPO] What possibilities do you see in Congress for the measures announced last week by President Samper?

[Pardo] I believe that these are measures that the Colombian society wants and, in this regard, Congress should be receptive.

The public evidently believes that we must strengthen our legislation in order to fight drug trafficking and other offenses.

I believe that this will make the approval of these measures possible. Moreover, I believe that the political

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crisis itself tends to strengthen consensus regarding these measures, which, in reality, had been proposed a while ago. Many of them were even included in the inaugural speech by the president, but the appropriate atmosphere to approve them had not been found.

[EL TIEMPO] Mr. Minister, the decision of the Chamber of Representatives does not change the fact that President Samper cannot visit several countries that are careful not to receive him at this time. Do you think that it is almost impossible to rebuild the image of Ernesto Samper on the international front?

[Pardo] I do not share the hypothesis that the president is not accepted in other countries, and that will be seen in the coming months when the president will resume his international agenda and will fulfill the commitments he had to postpone during this crisis.

The passage of time will demonstrate that this hypothesis is not true.

In the case of the United States, the situation is different, because in that country the problem of drugs is viewed differently. We must be realistic in the sense that relations with the United States will not become normal overnight. This requires serious, long-term work, considering the fact that we must recognize that the room in which we have to maneuver is very small.

[EL TIEMPO] Do you think that the way the kidnapping of Juan Carlos Gaviria was handled complicated things for former President Gaviria?

[Pardo] I think that for former President Gaviria the liberation of his brother Juan Carlos, alive, has been a great satisfaction, especially when we had information indicating he may not have been found alive. He is very happy and that is more important than anything else.

[EL TIEMPO] But in the OAS, doesn't the approval of the Panama resolution, the criticism from Cuban-American sectors, complicate Gaviria's role as secretary general of that organization?

[Pardo] No, that is a very insignificant incident that will not affect the ability of Doctor Gaviria to serve as OAS secretary general. This episode will be overcome.

In fact, I believe Dr. Gaviria has been unjustly criticized for having established relations with Cuba when he was president of Colombia and for an OAS proposal made in Haiti to improve ties between that organization and Cuba.

[EL TIEMPO] It has been rumored that this trip to Europe will be the last you will make as foreign minister. Are you about to resign?

[Pardo] This decision depends largely on President Samper and partially on me.

As I announced at the time the Prosecutor General's Office began investigating me on the electoral campaign, I said I will remain as foreign minister until the situation of the president is defined and that occurred last Thursday.

In this regard, the announced commitments end here, and I consider it logical that the president may think of a replacement to begin this new period of government with other people, with more oxygen and energy.

[EL TIEMPO] Has your office received information on the possible cancellation of visas to the United States?

[Pardo] No. We have only received information on the visas that have already been canceled, which the public knows about.

Colombia: Article on Chamber's Ruling, Samper's Speech

PA1806131296 Santa Fe de Bogota EL TIEMPO in Spanish 15 Jun 96

[Article by Rudolf Hommes: "Trial" — received via Internet]

[FBIS Translated Text] Following the debate at the Chamber of Representatives, the situation was virtually a draw. The legal phase of the process was burned out, and options disappeared. However, because everybody expected the result to be determined by the majority that the president has in Congress and the manner in which the representatives would vote, the conclusion of the Chamber's debate did not increase the government's credibility but did undermine the Chamber's, if it had any left.

Aside from a very courageous and independent attitude by the Chamber president and clear speeches by female representatives, very little could be rescued from these debates. In addition, the issue of governability did not move forward, but backward, because the president ended up threatening half of the people, who do not support him and who, he himself admitted, oppose him.

President Samper has said that after the Chamber of Representatives "exonerated his conduct," Colombians can sleep better, because they know that they have an "honest president steering the fate of the state, the foundations of which have been left safe." He is being overly optimistic with these two conclusions. Even though he can indeed sleep better because his path has been legally cleared, neither the end of the Chamber's process nor the president's speech on 13 June opened new options to resolve the current political conflict.

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The state's foundations have not been left safe, either. Proclaiming a victory when everybody still has many questions in their minds is as if O.J. Simpson were saying that the fact that the jury acquitted him is evidence that he did not murder his wife.

The clearest conclusion most Colombians obtained from the so- called trial of the century is that President Samper has absolute control over the Chamber of Representatives. The other conclusion obtained from this process is that the Constitution conceived a method to prosecute presidents that could hardly end in something other than their acquittals, unless they have lost the Congress' political support. The procedures were drafted in this manner to guarantee the presidents' stability. The bad thing is that it could also trigger impunity.

The fact that it is being said that it was an honest process because it was televised should call our attention. The note that the president's defense attorney sent to one of the most outstanding protagonists of the debate gave an idea of how a solid and unchangeable majority favoring the president was formed. It is far from having contributed to the honesty of the process, however.

Public opinion will continually wonder about how approximately 140 congressmen thought alike on issues as diverse as the nullity of the process and the validity of the evidence, and how they always concluded in favor of Samper, when the custom in Congress is for everyone to see matters from various perspectives.

At any rate, the legal phase of the process has ended, and this allows us to address the issue of governability. It was what the president tried to do in the speech he delivered on 13 June. Had this speech been delivered a year ago, when Santiago Medina's statements were made public for the first time, it would have parts that could be described as good. Now, however, it leaves the feeling that one has already seen parts of this movie, and it is not one of the best movies.

The president has lost his fresh touch and no longer convinces anyone, particularly when he takes moralistic positions. His speech had comical parts, such as the one in which he asked a number of questions before concluding that the advisable institutional solution for the country to overcome the crisis is for him to continue to rule.

The speech also had worrisome parts, such as the announcement that the Prosecutor General's Office will be reformed. In addition, it had frankly frightening parts, such as the one in which Samper threatens his detractors. He offered his hand and invited his opponents to support him, but he implicitly warned them that if they fail to do so or if they resort to more direct forms of opposition, he would treat them with a great deal of severity.

These type of warnings had never been heard in Colombian democracy, because a civilian president does not need to remind his citizens that they can form an opposition or that civil disobedience can be punished. It is a bad start for an alleged era of national reconciliation.

Ecuador

Ecuador: Cordovez Views Vice-Presidential Candidacy

96SM0357A Quito HOY in Spanish 3 Jun 96

[Interview with vice-presidential candidate Diego Cordovez by Ana Angulo Benavides; place and date not given; first three paragraphs are editorial introduction — received via Internet]

[FBIS Translated Excerpt] To attract the support of independent voters, the Indigenous Movement, and the Center Left, Diego Cordovez, the vice presidential candidate of the Social Christian Party, has recast his role in the election campaign with a speech aimed at bringing out his status as an independent as well as his diplomatic career, with emphasis on his contacts to attract foreign investment and international assistance.

Also entering into the campaign is his image as the "de luxe foreign minister" of Rodrigo Borja, since he will have occasion to tell the country that Jaime Nebot has offered to leave the territorial dispute with Peru in his hands.

Cordovez is convinced that he epitomizes the trend toward a multi-party government led by Nebot. He is not concerned about a possible "cooling" of the Social Christians toward the idea of a cabinet with members from several parties.

[HOY] What is your contribution as the running mate of Jaime Nebot?

[Cordovez] I provide a little regional balance, which is still important in Ecuador, as well as the fact that a ticket is being presented which shows awareness of the changes going on in the world and the position which this country must adopt in that context.

We have sent a message, not only to the Ecuadoran people but also to foreign countries, that the next administration is going to be in touch with the world and with the new concepts of economics and economic, social, sustainable, and human development.

[HOY] Is the key to this in your previous experience as an internationalist?

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[Cordovez] I believe so.

[HOY] What groups do you represent?

[Cordovez] I stand for the multi-party tendency of Jaime Nebot. In addition I represent the independents who are concerned about what is happening in the country.

[HOY] Do you think that there were people who voted in the first round of the elections because you were part of the two-person ticket?

[Cordovez] I believe so. If you look at the number of votes which the Social Christian Party got in the last election and the number of votes which Jaime Nebot obtained, I believe that there is a substantial segment of independent votes.

[HOY] Do you consider yourself a nonparty candidate?

[Cordovez] When I agreed to run on the same ticket as Jaime Nebot, in substance our ticket was no longer the Social Christian Party ticket (although in form it still is). However, our ticket has gone on to become a multi-party ticket — because, if this were not so, I would not have become a part of it.

[HOY] What was the agreement?

[Cordovez] Jaime Nebot committed himself to form a multi-party government, and the two of us are completely in agreement that, at this time, a president who seeks to form a government with a single party will fail.

[HOY] Would Nebot form a multi-party government?

[Cordovez] In any case he will form a government made up of more than one party. This will be a government which perhaps comes from one party but which looks for men and women of other parties or who are identified with groups considered ideologically different, united by a community of views on the objectives of the government.

[HOY] Might breaking the link with the Social Christian Party create friction with that party?

[Cordovez] That is a problem for the Social Christians, not for the president and me.

The political parties have to learn to act as part of a multi-party team. They have to learn that a cabinet should share responsibilities with people holding other political views.

[HOY] What will be your contribution in a future government led by Jaime Nebot?

[Cordovez] I would divide it into two parts: the president needs to have a high-level counselor who knows that his position is not going to change, whatever his institutional position.

[HOY] And the other part of your contribution?

[Cordovez] Whatever the president wants me to do. Nebot has told me that he is going to delegate the foreign affairs area to me; that is, the territorial dispute with Peru, external cooperation for the economic and social development of the country, and other matters like that.

[HOY] How do you see the function of CONADE [the National Council for Development]?

[Cordovez] It must be reconsidered as soon as possible. In my view it is an archaic organization, because I cannot agree that national planning should be under one person and that the formulation of the political, economic, and social policies of the country should be in the hands of another person.

[HOY] Regarding the territorial dispute with Ecuador, how will a popular referendum operate?

[Cordovez] Once we have negotiated with Peru and have reached a formula for the solution of this problem, that formula is going to be submitted to the people through a referendum before the related agreement, treaty, or instrument is signed by the president.

[HOY] Will you be able to define the procedures for such negotiations at the forthcoming meeting of foreign ministers in Buenos Aires?

[Cordovez] I do not particularly care whether procedures are set down or not because I believe that when negotiations begin, such procedures are going to have to be adapted to the substance of the negotiations.

[HOY] Is the idea of arbitration still under consideration?

[Cordovez] We have to leave that matter temporarily in abeyance. I think that it would be best if some day our two countries agree that this is the best way to resolve certain aspects of this conflict.

[HOY] What ideas will you raise in the debate with Rosalia Arteaga?

[Cordovez] Someone should propose the date, the subjects, and the format of the debate.

[HOY] What do you think of Rosalia Arteaga?

[Cordovez] I used to have a good impression of her. I understand that she performed well in the government, although that would not have been difficult in this government. However, I also understand that she advocated

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programs which later met with a series of objections, both at home and overseas.

[HOY] What is the legacy of this government?

[Cordovez] At times I am afraid that the legacy of this government will be the election of Abdala Bucaram.

[HOY] Why?

[Cordovez] I think that the votes which he obtained were the result of the desperation felt in many groups because of the lack of concern which this government has displayed regarding absolutely fundamental, social aspects of its policy.

This government did something good. At first it focused on certain reforms in the correct way. However, soon the government showed ineptitude in carrying out those programs. [passage omitted]

Ecuador: Rosalia Arteaga Wants To Make History

96SM0357B Quito HOY in Spanish 3 Jun 96

[Interview with vice-presidential candidate Rosalia Arteaga by Thalia Flores y Flores; place and date not given; first four paragraphs are editorial introduction — received via Internet]

[FBIS Translated Excerpt] Flying at 20,000 feet in the air on a trip between Cuenca and Quito, Rosalia Arteaga, candidate for the vice presidency of Ecuador, appears serene, although she does not hide her feelings about being the first Ecuadoran woman to be a finalist in the second round of the elections.

She will have a serious job to do if she is elected to the vice presidency and she knows it. Therefore, she continues to prepare herself, although the elections campaign barely gives her time to read and inform herself.

Intense, long days of work are not unusual for the running mate of Abdala Bucaram. When she was 17 years old, she entered the university. She became a teacher and was finally minister of education in the administration of President Duran Ballen.

As the wife of the mayor of Cuenca (1979-1984), Rosalia Arteaga learned how to play the political game, spending all of her time outside her home on political activities, but still not neglecting her three children. Her time in municipal government as a municipal council member for the Social Christian Party [PSC] and then as a member of the Republican Unity Party [PUR] taught her the ups and downs of political life. This was useful to her in the Ministry of Education and when she formed the Independent Movement for an Authentic Republic [MIRA], in which she was associated with Bucaram's Ecuadoran Roldosist Party [PRE].

[HOY] What has been your contribution to this campaign?

[Rosalia Arteaga] I've contributed balance to the electoral ticket and I've made an important breakthrough in mountain areas. I've helped to consolidate votes in areas along the coast. I consider that, in particular, I have contributed a significant number of votes in the Provinces of Guayas and Manabi, because of my close relationship with those provinces.

[HOY] Why are you so close to them?

[Rosalia Arteaga] In the Province of Manabi they almost considered me a local candidate because of my name and my ancestry.

[HOY] Was your family from the Province of Manabi?

[Rosalia Arteaga] There is a connection between the Arteaga families in the Province of Manabi and the Province of Azuay. I think that this has been a factor, and the people of Manabi have felt very closely identified with me. I have also made a contribution among women's groups and among Ecuadoran teachers. I was a good running mate with Abadala Bucaram.

[HOY] Do you feel that you represent women in the elections?

[Rosalia Arteaga] In all humility I would say so. In the first place I have a political record. As a woman and for the first time in history it has been my job to deal with situations as complicated as those in the Ministry of Education. I set up the MIRA, which was clearly established and has been led by women. That also is unheard of in this country. I did not inherit this political movement from anyone.

[HOY] What group of women do you think you represent?

[Rosalia Arteaga] I am a woman who has worked for all of her life. When I was 17 years old, I began working in a regular job as a teacher. Much earlier than that I worked as a receptionist and a secretary in my father's office.

I called on Ecuadoran women so I could feel that I represented them. I worked in the countryside and I gave the vote to other women so that they would be aware of their sex and would be prepared to work for the country.

[HOY] Can women, who have been excluded from this political system, feel that they are represented by you when you could be invited to be a member of

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a presidential ticket, in order to provide regional and even visual balance, which are necessary for electoral marketing?

[Rosalia Arteaga] I am not an ornament, and the Ecuadoran people know this. I have said that I am not a parasite or a figurehead. I am taking part in the campaign. I travel through the country. I do not stay at home, hoping that the presidential candidate will pick up the votes. I am a woman who can appear soft in my statements but I am really very firm. Leaving a cabinet ministry because of a position of principle is not something that a weak woman does. (I resigned from the Duran Ballen cabinet because of my opposition to the Law on Educational Freedom.) Neither was I a weak woman in agreeing to run on a ticket with such a controversial figure as Bucaram Ortiz.

[HOY] Is it hard for you to speak of the poor and against the parties of which you were a member, such as the PSC and the PUR?

[Rosalia Arteaga] I was a member of the PSC and, as a municipal council member, I carried on my work for working-class groups. What I have said has always been the same. I have spoken of education, which is one of my obsessions. My concern for the poorest people has become greater recently, because I have seen that the gap between rich and poor has been growing. There is anxiety and desperation among the people of the working class. We human beings go through changes. Each time I identify myself more with the poor people in this country.

[HOY] When you call yourself a candidate of the poor but live like a rich person—is this not double talk?

[Rosalia Arteaga] Representing the ordinary people does not mean that a candidate should live in misery. A candidate who lives in misery could not carry out a campaign suited to the dimensions of the political system and in view of the cost of publicity in the media.

Abdala Bucaram lives on his income. In my case, the people — especially those living in Cuenca — know how we live. Undoubtedly, over the past few months I have become more aware and, in many cases, I have opened my eyes to something which, if I was not aware of before, I now know as a living reality.

[HOY] How do you feel among Roldosist groups?

[Rosalia Arteaga] There is a great similarity between the PRE and the MIRA. There is great respect for me as a person. I am a formal but not insensitive person. Somebody asked why I danced on an elections platform. I have always liked to dance, and my husband does, too.

[HOY] In the eyes of Bucaram eating lobster thermidor or caviar is a stigma, but you eat them. Does this make you feel uncomfortable?

[Rosalia Arteaga] As a matter of fact and in the first place I do not eat those dishes very frequently. Probably, I ate them when I was Minister of Education. My favorite dish is guinea pig and stewed corn and potatoes.

[HOY] Is the strategy for the second round of the elections to draw closer to the Center Left?

[Rosalia Arteaga] I want to appeal to the Center Left and the progressive groups. We cannot continue as things are in this country, as the tail end of Latin America. I appeal for unity, good sense, and political decency.

[HOY] What subjects will you talk about now?

[Rosalia Arteaga] I will continue talking about education, health, and social policies. I am going to intensify my work in the Provinces of Pichincha and Azuay and in the whole mountain area.

[HOY] What will you do as vice president?

[Rosalia Arteaga] I will be concerned with social issues. Health and education will be the major subjects.

[HOY] What do you think of Diego Cordovez?

[Rosalia Arteaga] He is a diplomat, an internationalist. [passage omitted]

Paraguay

Paraguay: Air Force Head Ratifies Agreement With Brazil

PY1806185796 Asuncion NOTICIAS in Spanish 6 Jun 96 p 11

[FBIS Translated Text] Division General Cesar Rafael Cramer, Paraguayan Air Force commander, and Air Force Lieutenant Brigadier Sergio Xavier Ferolla, and his Brazilian counterpart, have agreed to ratify current agreements between the two Air Forces. They also discussed maintenance work for Paraguayan Air Force AT-26 and AT-27 planes by the Brazilian Air Force within the framework of very effective cooperation.

This was reported on 5 June, after the Air Force Conference of the Americas in Buenos Aires.

A report on the Illegal Flights Control Committee, presented by the U.S. Armed Forces, was not approved by the Air Forces, as each one will draw up regulations against interference in the sovereignty of countries. Paraguay does not challenge anything that does not affect its sovereignty, which, in this case, involves its air space.

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A Science and Technology Committee report proposes informing all Air Forces of the technological advances related to aerospace activities and proposed cooperation in this field.

General Cesar Cramer was satisfied with the outcome of the conference, whose goal involved facilitating mutual assistance and enhancing cooperation among the various Air Forces of the Americas.

Paraguay: Wasmosy Submits Papers on Coup Attempt to Court

PY1806214196 Asuncion NOTICIAS in Spanish 14 Jun 96 p 4

[FBIS Translated Text] On 13 June President Juan Carlos Wasmosy finally answered the note sent to him by Judge Alcides Corbeta and submitted all the documents pertaining to Lino Oviedo's frustrated military coup to the court hearing the case. The investigation involves the crimes of revolt against public order and authority.

The documents included Wasmosy's report made public on 12 June and the documents on changes in the military sphere confirming the strictly institutional handling of the situation.

The head of state also placed himself at the disposal of the court for an eventual request of clarification or further details.

The documents include a report about an act of aggression against the Air Force, which was already mentioned by the president. The document makes clear the type of relations that the former Army commander had with his comrades of the other Armed Forces branches.

The dossier also includes requests for permission for the transfer of units, following military guidelines. One case mentioned in the documents is the controversial transfer of Air Force combat planes to one of Wasmosy's properties. The use of the presidential ranch was due to the need of infrastructure in order not to damage the interest of third parties.

The court also received the general order replacing General Lino Oviedo as Army commander dated 22 April.

All these documents are key in the process of clarifying the grave crisis that involved the entire country. The entire citizenry expects the processing of the seditious general. In military circles the arrest and prosecuting of the former Army commander is considered imminent.

Peru

Peru: MOMEP Reiterates Absence of Troops at DMZ

PY1906031596 Madrid EFE in Spanish 0143 GMT 19 Jun 96

[FBIS Translated Text] Lima, 18 Jun (EFE) — The Ecuador-Peru Military Observers Mission (MOMEP) reiterated today that Peruvian troops are within their own territory outside the demilitarized zone on the border between Peru and Ecuador.

MOMEP Coordinator General Licinio Nunez de Miranda from Brazil thus confirmed the reports MOMEP released in Ecuador two weeks ago in response to rumors circulating in Ecuador claiming that Peruvian troops were stationed in the demilitarized area.

Basing himself on these reports, Ecuadoran Defense Minister General Jorge Ortega [as received] threatened to adopt "preventive military measures" and two days ago ordered the mobilization of some 40,000 reservists.

"The situation in the border area is absolutely normal. There are no Peruvian troops in landmarks No. 13, 14, and 15, located in an area having a surface of 598 square km, which is being controlled by military observers from the guarantor countries of the Rio de Janeiro Protocol signed in 1942 (Argentina, Brazil, Chile, and the United States).

The MOMEP coordinator made these remarks upon visiting the headquarters of Peru's Sixth Military Region situated at the Amazon region City of Buagua, where he met with General Luis Perez Document, commander of that military region.

The objective of this visit was to "establish professional contact with military commanders and to contribute to a rapprochement between the Ecuadoran and Peruvian Armed Forces."

Peru and Ecuador were pitted against each other in an undeclared war, which lasted from 26 January to 28 February 1995, due to differences over their boundary demarcation. Negotiations are currently being conducted with a view to putting an end to this border dispute.

A new round of negotiations was held in Buenos Aires today. Peruvian Foreign Minister Francisco Tudela held a meeting with his Ecuadoran counterpart Galo Leoro at which representatives from the four guarantors of the Rio de Janeiro Protocol were present.

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Peru: U.S. Firm Said Trying To Bribe Camet on Russian Debt

PY1806231096 Lima LA REPUBLICA in Spanish 9 Jun 96 p 10

[Article by Genaro Barraza]

[FBIS Summary] Economy and Finance Minister Jorge Camet has denounced an attempted bribe, allegedly by representatives of the American Insurance Group (AIG), to facilitate the payment of Peru's debt to Russia. AIG representatives visited Camet for this purpose in April 1995.

Last March, LA REPUBLICA reported that AIG repeatedly conveyed to the Peruvian Economy and Finance Ministry its desire to know details of the debt with the idea of buying it in the secondary market and then negotiating its payment. About this time, IMF Managing Director Michel Camdessus wrote an interesting letter to Minister Camet expressing "this multilateral organization's concern over the payment of Peru's debt to Russia, in representation of the former USSR."

According to another version, actions to get the Peruvian debt paid are reportedly being taken by the Russian Foreign Trade Bank for strategic reasons to facilitate a government-to-government solution but keeping the transaction with AIG a secret. It has also been learned that the Alfa Consulting Company was contracted by AIG to define the amount of the debt and how to cancel it. The Peruvian Economy and Finance Ministry said the loan was for 567 million rubles, which at the exchange rate of last October only represent $112 million but the AIG is trying to get $967 million by arbitrarily using the so-called convertible ruble at the equivalent of $1.71. The truth is the Russians are exerting pressure to get paid in dollars while the loan was contracted in rubles.

Peru: 357 Policemen Discharged Between Mar, May

PY1806192296 Lima EXPRESO in Spanish 7 Jun 96 p A13

[FBIS Translated Text] A total of 357 Peruvian National Police [PNP] officers and subordinates were discharged for their apparent involvement in criminal actions recorded between March and May 1996.

This group includes three commanders, five majors, eight captains, 18 lieutenants, one second lieutenant, and 322 noncommissioned officers. A total of 530 policemen have been dismissed since Lieutenant General Antonio Ketin Vidal Herrera, National Police chief, assumed the PNP Command.

In February 1996, 173 policemen among chiefs, officers, and noncommissioned officers, were discharged. Many of them face charges by judicial officials in an effort to establish their involvement in several crimes.

A police source said the PNP Command ratified its decision to punish severely and inflexibly those agents that commit crimes against the essential principles of their police duties.

Among the discharged policemen are PNP Major Victor Cabrejos Pastor; Lieutenants Victor Rivera Cabos and Luis Aliaga Trigoso; and Noncommissioned Officers Luis Sanchez Vasquez and Humberto Revolledo Zevallos, members of the detachment at the Brena police precinct on 23 March when a citizen died under strange circumstances after being arrested during a dragnet operation.

Mario Jesus Palomino Garcia (36), a citizen of this district, died inside the police precinct and prompted a criminal action which is still pending at the judicial branch.

An investigation found that the presumed perpetrators of the murder were Lieutenant Aliaga Trigoso and Noncommissioned Officers Revolledo Zevallos and Sanchez Vasquez, who are now in custody.

Major Cabrejos Pastor and Lieutenant Rivera Cabos face trial over their presumed involvement as accessory after the fact of Palomino's death.

Peru: Distribution Plan in Narcoplane Case Detailed

PY1806170596 Lima EXPRESO in Spanish 12 Jun 96 p A10

[FBIS Translated Text] FAP [Peruvian Air Force] officers involved in the "narcoplane" case have revealed to Criminal Judge Jaime Salinas Valenzuela the way in which they planned to "distribute" the cargo of 174 kg of narcotics in several places around the world.

One source revealed that the amount of the drug and the places indicated by those involved are as follows: 30 kg of cocaine in the Canary Islands; 50 kg in France; 40 kg in Lithuania; and 30 kg in Guyana.

Nevertheless, according to the itinerary and the amount outlined by those accused, the total amount reaches only 150 kilograms, while the seized drug weighs 174 kilograms. These officers did not know how to explain this difference.

The accused officers agreed, however, that the most involved officers in this crime are FAP NCO's Daniel Caceres and Otto Cordova. They are accused of "coordinating" the deliveries.

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Caceres is accused of being responsible for the entry of the drug into the Air Group 8, taking advantage of darkness and disguising it as spare parts for the plane.

Yesterday, FAP Colonel Hugo Lama Perez testified for almost three hours before the fifth court judge. In his testimony, the colonel said he was not fully aware of all details concerning the shipment and that he was only a member of the plane's alternate crew.

He said that he is a flight instructor and that he only knows the involved noncommissioned officers through his duties. He explained the ownership of his property and the role he plays at the air base.

FAP commander Luis Munoz Vinch will testify today, while former presidential aid-de-camp Luis Escarcena Ishikawa will testify on 13 June. This officer will also testify in his role as witness.

So far the judge has not opened any proceedings against any of the involved officers. Nevertheless, considering the testimony of the 12 noncommissioned officers, in which they repeatedly accuse Colonel Oscar Salinas, Prosecutor Fabiola Pena is gathering evidence and is studying a possible accusation of that officer.

To help the investigations, the aborted shipment of the drug by some bad FAP elements will be re-enacted within the next few days. The officers involved in this scandalous episode will participate in this judicial action.

Venezuela

Venezuela: 16 Ministries To Be Restructured in 1997

PA1506040196 Caracas Televen Canal 10 in Spanish 1600 GMT 11 Jun 96

[Report by Aniuska Aleyra from "The Newscast"; monitored from a retransmission by Lima Sistema Unido de Retransmision Television at 1600 GMT on 11 June]

[FBIS Translated Text] The government started warming up its engines to begin implementing commitments included in the agreement of understanding signed with the IMF. The government intends to restructure 16 ministries next year and to eliminate all vacant posts remaining after the reorganization.

In the midst of much expectation but without significant changes having taken place yet, the Council of Ministers recently analyzed plans to restructure the state, a process whereby 14 of the 16 government ministries have already begun implementing reorganization measures. In this regard, the Council of Ministers has authorized the drafting of a guidebook so positions left vacant due to the reorganization will be eliminated and, therefore, will not appear in the 1997 budget.

Another of the reorganization proposals includes the elimination of those organizations that fail to carry out their responsibilities and the merger of all government bodies where duties are being duplicated:

[Begin Fernando Egana, director of the Central Information Office, recording] Planning Minister Teodoro Petkoff's report recommends several measures for the reorganization of fundamental aspects of the central government. Basically, the proposal is aimed at reassigning those government agencies that fall under the Ministry of the Secretariat to government institutions that, based on their respective specialties, are compatible with the agencies being reassigned. The objective of this is the dismantling of the Ministry of the Secretariat. [end recording]

As for the 1997 budget, it proposes not only the reduction of the fiscal gap but also the designation of key areas to increase the number of social programs to be carried out in these areas, to give precedence to areas deemed productive, and to improve the quality of education, health, and social security. The Council of Ministers did not disclose much information about this issue.

Finance Minister Luis Raul Matos Azocar and the director of the Central Budget Office on 13 June will unveil the details of the 1997 budget.

Venezuela: Defense Minister Denies Border Mobilization

PA1806120496 Santa Fe de Bogota EL TIEMPO in Spanish 15 Jun 96

[Report by Maria Victoria Cristancho — received via Internet]

[FBIS Translated Text] Caracas — The Venezuelan Armed Forces have not detected any Colombian military mobilizations along the border, Defense Minister Brigadier General Moises Orozco Graterol has said.

The Venezuelan minister was answering an accusation made by Zulia Governor Francisco Arias Cardenas, whose state borders Colombia's Cesar Department, that Colombia is reportedly positioning missiles in the area. On the contrary, he described as "false" reports out of Colombia that there are more Colombian than Venezuelan military posts at the border.

"We have traveled along the border together, and the kind of armed presence they described has never existed," said Orozco, who insisted on the need to match the presence of Colombian military forces to those of

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Venezuela at the border in order to face actions by guerrilla groups, drug traffickers, and outlaws.

Colombian Ambassador to Caracas Guillermo Gonzalez Mosquera countered those statements made by the Venezuelan minister when he inisisted that Colombian authorities maintain over 80 mobile detachments at the border.

"Colombia has defined a strategy of mobile locations based on our vast experience in fighting against the guerrilla groups," said Gonzalez.

Gonzalez also echoed President Samper's intention to keep Venezuela as Colombia's top foreign policy priority. This decision was made after Samper's acquittal by Congress and falls within the framework of his plan to regain control of the reins of government.

Alfonso Valdivieso, the prosecutor general of Colombia, and Ivan Dario Badell, the prosecutor general of Venezuela, toured several Venezuelan border posts yesterday morning in order to learn about military surveillance mechanisms in this region, which is a permanent target of Colombian narcoguerrillas.

The idea "is for Valdivieso to become aware of operations at Venezuelan border posts and of what is on the Colombian side, so he can convey the message that Venezuela is not preparing any aggression or territorial violation in order to conquer land, but to bring peace to the border," said Orozco.

At the same time, Enrique Vargas and Valmore Acevedo Amaya, the presidents of the Commissions on Border Affairs from Colombia and Venezuela, met in Caracas to reactivate pending discussions on border integration between the two countries. Vargas and Acevedo had discussions on border security, the environment, highway infrastructure, culture, and the return of stolen vehicles, among other issues. These commissions had suspended high-level representative meetings on four occasions this year because of the political situation in Colombia, said Vargas, who clarified that during that time technical teams had not stopped working.

"This meeting in Caracas seeks to reactivate high-level actions to make the integration process more effective," said the Colombian commissioner.

Venezuela: Oil Firm Head Denies Pressure on Market Opening

PA1606042796 Caracas EL NACIONAL in Spanish 12 Jun 96 p E4

[Report by Alonso Zambrano]

[FBIS Translated Text] Maracaibo (special report) — PDVSA [Venezuelan Petroleum, Inc.] President Luis Giusti denied here that powerful groups from the United States and some OPEC [Organization of Petroleum Exporting Countries] sectors were exerting pressure against Venezuela's market opening.

The market opening process, he stated, has been accepted worldwide as evidenced by investors' interest.

As an example, he stated that the marketing of orimulsion does not present any problem, adding that the Florida governor's ruling, which prohibits a specific plant to use this fuel because it is considered a pollutant, should not be exaggerated.

Orimulsion, he underscored, has become a widely accepted fuel in the international market where it has an excellent share.

The PDVSA president inaugurated the 10th Latin American Petroleum Show at the Lago Internacional Hotel along with Energy and Mines Deputy Minister Evanan Romero, the presidents and directors of PDVSA's affiliates, the Zulia State governor, the board of directors of the Venezuelan Oil Chamber, and other figures from the hydrocarbon industry.

Numerous businesses from this region that provide goods and services for the Venezuelan petroleum sector will participate in this event until Thursday, 13 June. EL NACIONAL will also participate in this event with a stand that displays the editorial and technological advancements of this Latin American daily.

Giusti restated that the Venezuelan petroleum business takes part in every event. He affirmed that recent violent actions in this country had absolutely no effect on its good international image.

Moreover, he underscored the achievements that were made during the first decade after internationalization began. This process is now aimed at Latin American markets through business dealings with Peru, Ecuador, Brazil, and the nations from the Caribbean community, dealings that will soon be crystallized.

In Peru's particular case, the state enterprise is being privatized. In addition, Venezuela will possibly associate with this Andean nation in the distribution and refinery business for the domestic market.

Regarding Petrobras [Brazilian Petroleum Company] of Brazil, negotiations are under way, some significant exchange and joint marketing operations have been made, and the possibility of establishing a refinery in northern Brazil is under review. This matter will be thoroughly discussed during the first week in July.

There will be discussions on profit sharing, development and supply, and price formulation.

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Here at the 10th Latin American Petroleum Show, Giusti underscored that the western region produces more than half of the country's crude and that the lake's eastern coast continues to be Venezuela's most important petroleum center since this region produces most of this mineral.

He described this event as a permanent institution that reflects the significance of the petroleum sector for the national economy and the interest of private enterprises in the country's basic industry.

Regarding the bill on special allocations for mineral-producing states that Zulia State sponsored with the support of other Venezuelan regions, the PDVSA president said this initiative responds to a very reasonable concern, adding that the legislative branch will discuss this initiative to make a final decision.

Suriname

Suriname: Dutch FM Opposes Coalition Role for Bouterse

BR1806151896 Rotterdam NRC HANDELSBLAD in Dutch 17 Jun 96 p 3

[Report by Willebrord Nieuwenhuis: "Netherlands: Bouterse Not in Coalition"]

[FBIS Translated Excerpt] Paramaribo, 17 Jun — Soon the Surinamese Government will be able to determine itself what form of relations it wants with the Netherlands. But there is clearly a lower limit in this relationship. Should the party of Bouterse, the NDP [National Democratic Party], be included in a coalition, then this would hinder the relationship to a large degree. That is simply the political position in the Netherlands.

This was the message which Foreign Minister Van Mierlo put across in his talks with the political leaders of six parties this past weekend. He wore himself out saying that he had not come to Suriname to influence the coalition talks. Some Surinamese politicians asked why in that case he had not come a little later.

The Netherlands, Van Mierlo repeated time and time again, does not wish to play a role in internal Surinamese affairs. But he did outline to his interlocutors what is possible in the future and what is impossible by definition. Legal investigations are taking place against Bouterse in the Netherlands. If his party is included in the new government, then it would form a considerable obstacle, is the view at the Foreign Ministry.

Should the talks between the six parties, the NF [New Front], DA [Democratic Alternative], and the Javanese Pendawa Lima ultimately fail, and the NDP yet be invited to take part, then an intensification of relations, which The Hague is bearing in mind after the elections, would be out of the question. [passage omitted]

Van Mierlo said that he spoke to the six party leaders because that is standard procedure whenever he visits Suriname (this is his third visit). The major goal of his trip was the conference of Netherlands ambassadors in North, Central, and South America [passage omitted]

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